

Booz Allen Hamilton Holding Corp
Form S-1
June 21, 2010

As filed with the Securities and Exchange Commission on June 21, 2010
Registration No. 333-

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

**Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Booz Allen Hamilton Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

7373
*(Primary Standard Industrial
Classification Code Number)*

26-2634160
*(I.R.S. Employer
Identification Number)*

**8283 Greensboro Drive
McLean, Virginia 22102
(703) 902-5000**
*(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive
Offices)*

**CG Appleby
Executive Vice President and General Counsel
8283 Greensboro Drive
McLean, Virginia 22102
(703) 902-5000**
(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

Copies to:

Matthew E. Kaplan
Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
(212) 909-6000

Douglas S. Manya
Booz Allen Hamilton Inc.
8283 Greensboro Drive
McLean, Virginia 22102
(703) 902-5000

Rachel W. Sheridan
Jason M. Licht
Latham & Watkins LLP
555 Eleventh Street, NW
Suite 1000
Washington, D.C. 20004
(202) 637-2200

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

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

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

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Class A common stock, \$0.01 par value per share	\$300,000,000	\$21,390

(1)

Includes offering price of shares which the underwriters have the option to purchase. Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

- (2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 21, 2010

Shares

Class A Common Stock

This is an initial public offering of Class A common stock of Booz Allen Hamilton Holding Corporation. We are offering shares of Class A common stock to be sold in this offering. No public market currently exists for our Class A common stock. The initial public offering price of our Class A common stock is expected to be between \$ and \$ per share.

We will apply to list our Class A common stock on under the symbol BAH.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 15 of this prospectus.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

The underwriters also may purchase up to additional shares from us at the initial offering price less the underwriting discounts and commissions to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about , 2010.

Morgan Stanley

Barclays Capital

BofA Merrill Lynch

Credit Suisse

Stifel Nicolaus

BB&T Capital Markets

Lazard Capital Markets

Raymond James

, 2010.

TABLE OF CONTENTS

<u>MARKET AND INDUSTRY DATA</u>	ii
<u>SUPPLEMENTAL INFORMATION</u>	ii
<u>PROSPECTUS SUMMARY</u>	1
<u>SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA</u>	9
<u>RISK FACTORS</u>	15
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	34
<u>USE OF PROCEEDS</u>	36
<u>DIVIDEND POLICY</u>	37
<u>CAPITALIZATION</u>	38
<u>DILUTION</u>	40
<u>THE ACQUISITION AND RECAPITALIZATION TRANSACTION</u>	42
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA</u>	46
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	50
<u>BUSINESS</u>	78
<u>MANAGEMENT</u>	96
<u>EXECUTIVE COMPENSATION</u>	104
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	130
<u>DESCRIPTION OF CERTAIN INDEBTEDNESS</u>	134
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	139
<u>DESCRIPTION OF CAPITAL STOCK</u>	143
<u>SHARES OF COMMON STOCK ELIGIBLE FOR FUTURE SALE</u>	149
<u>CERTAIN U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS</u>	151
<u>UNDERWRITING</u>	154
<u>CONFLICTS OF INTEREST</u>	157
<u>LEGAL MATTERS</u>	158
<u>EXPERTS</u>	159
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	160
<u>INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. Neither this prospectus nor any free writing prospectus is an offer to sell anywhere or to anyone where or to whom we are not permitted to offer or to sell securities under applicable law. The information in this prospectus or any free writing prospectus is accurate only as of the date of this prospectus or such free writing prospectus, as applicable.

MARKET AND INDUSTRY DATA

Information in this prospectus about each of the U.S. government defense, intelligence and civil markets, including our general expectations concerning those markets, our position within those markets and the amount of spending by the U.S. government on private contractors in any of those markets, is based on estimates prepared using data from independent industry publications, reports by market research firms, other published independent sources, including the U.S. government, and our good faith estimates and assumptions, which are derived from such data and our knowledge of and experience in these markets. Although we believe these sources are credible, we have not verified the data or information obtained from these sources. Accordingly, investors should not place undue reliance on this information. By including such market data and industry information, we do not undertake a duty to provide such data in the future or to update such data if it is updated. Our estimates, in particular as they relate to our general expectations concerning the U.S. government defense, intelligence and civil markets, have not been verified by any independent source and involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption Risk Factors.

SUPPLEMENTAL INFORMATION

Unless the context otherwise indicates or requires, as used in this prospectus, references to: (i) we, us, our or our company refer to Booz Allen Hamilton Holding Corporation, its consolidated subsidiaries and predecessors; (ii) Booz Allen Holding or issuer refers to Booz Allen Hamilton Holding Corporation exclusive of its subsidiaries; (iii) Booz Allen Investor refers to Booz Allen Hamilton Investor Corporation, a wholly-owned subsidiary of Booz Allen Holding; (iv) Booz Allen Hamilton refers to Booz Allen Hamilton Inc., our primary operating company and a wholly-owned subsidiary of Booz Allen Holding; (v) The Carlyle Group or Carlyle refers to The Carlyle Group and its affiliated investment funds; (vi) the Acquisition refers to the acquisition of Booz Allen Hamilton by investment funds affiliated with The Carlyle Group through Explorer Coinvest LLC, a Delaware limited liability company controlled by The Carlyle Group, the spin off of our commercial and international business and the related transactions; (vii) the Recapitalization refers to the payment of a special dividend on December 11, 2009 and repayment of a portion of a deferred payment obligation of Booz Allen Investor and the related amendments to the credit agreements governing the Credit Facilities as more fully described under The Acquisition and Recapitalization Transaction; (viii) Senior Credit Facilities refers to our senior secured loan facilities providing for three term loan facilities and a revolving loan credit facility; (ix) Mezzanine Credit Facility refers to our mezzanine credit facility providing for a mezzanine term loan facility; (x) Credit Facilities refers to the Senior Credit Facilities together with the Mezzanine Credit Facility; (xi) clients, when used in the context of the U.S. government, refers to organizations at all levels of the U.S. government, ranging from executive departments to independent agencies and offices, with whom we contract for the provision of services; (xii) fiscal, when used in reference to any twelve-month period ended March 31, refers to our fiscal years ended March 31; and (xiii) pro forma 2009 refers to our unaudited pro forma results for the twelve months ended March 31, 2009, assuming the Acquisition had been completed as of April 1, 2008.

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

Booz Allen Hamilton®, Transformation Life Cycle™, the Booz Allen Hamilton logo, and other trademarks or service marks of Booz Allen Hamilton Inc. appearing in this prospectus are property of Booz Allen Hamilton Inc. Trade

names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective owners.

We have made rounding adjustments to reach some of the figures included in this prospectus and, unless otherwise indicated, percentages presented in this prospectus are approximate.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, including the Risk Factors section and our consolidated financial statements and the notes to those statements, before making an investment decision. Some of the statements in this summary constitute forward-looking statements. See Special Note Regarding Forward-Looking Statements.

Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. We are a well-known, trusted and long-term partner to our clients, who seek our expertise and objective advice to address their most important and complex problems. Leveraging our 95-year consulting heritage and a talent base of approximately 23,300 people, we deploy our deep domain knowledge, functional expertise and experience to help our clients achieve their objectives. We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and delivers enduring results for our clients. We have grown our revenue organically at an 18% compound annual growth rate, or CAGR, over the 15-year period ended March 31, 2010, reaching \$5.1 billion in revenue in fiscal 2010.

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

We have strong and longstanding relationships with a diverse group of organizations at all levels of the U.S. government. We derived 98% of our revenue in fiscal 2010 from services provided to over 1,300 clients across the U.S. government under more than 4,900 contracts and task orders. We have served our top ten clients, or their predecessor organizations, for an average of over 20 years. We derived 87% of our revenue in fiscal 2010 from engagements for which we acted as the prime contractor. Also during fiscal 2010, we achieved an overall win rate of 57% on new contracts and task orders for which we competed and a win rate of more than 92% on re-competed contracts and task orders for existing or related business. As of March 31, 2010, our total backlog, including funded, unfunded, and priced options, was \$9.0 billion, an increase of 24% over March 31, 2009.

We attribute the strength of our client relationships, the commitment of our people, and our resulting growth to our management consulting heritage and culture, which instills our relentless focus on delivering value and enduring results to our clients. We operate our business as a single profit center, which drives our ability to collaborate internally and compete externally. Our operating model is built on (1) our dedication to client service, which focuses on leveraging our experience and knowledge to provide differentiated insights, (2) our partnership-style culture and compensation system, which fosters collaboration and the efficient allocation of our people across markets, clients and

opportunities, (3) our professional development and 360-degree assessment system, which ensures that our people are aligned with our collaborative culture, core values and ethics and (4) our approach to the market, which leverages our matrix of deep domain expertise in the defense, intelligence and civil markets and our strong capabilities in strategy and organization, analytics, technology and operations.

Go-to-Market Matrix

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

Market Opportunity

Large Addressable Markets

We believe that the U.S. government is the world's largest consumer of management and technology consulting services. The U.S. government's budget for the fiscal year ended September 30, 2009 was \$3 trillion, excluding authorizations from the American Recovery and Reinvestment Act of 2009, or the ARRA, Overseas Contingency Operations, and supplemental funding for the Department of Defense. Of this amount, \$1 trillion was for discretionary budget authority, including \$537 billion for the Department of Defense and \$490 billion for civil agencies. Based on data from the Federal Procurement Data System, or FPDS, approximately \$513 billion of the U.S. government fiscal year 2009 discretionary outlays were for non-intelligence agency and non-ARRA funding-related products and services procured from private contractors. We estimate that \$94 billion of the spending directed towards private contractors in U.S. government fiscal year 2009 was for management and technology consulting services, with \$61 billion spent by the Department of Defense and \$33 billion spent by civil agencies. The agencies of the U.S. Intelligence Community that we serve represent an additional market.

Focus on Efficiency and Transforming Procurement Practices

There is pressure across the U.S. government to control spending while also improving services for citizens and aggressively pursuing numerous important policy initiatives. This has led to an increased focus on

accomplishing more with fewer resources, streamlining information services and processes, reducing fraud, waste and abuse, and improving productivity. In order to efficiently implement these initiatives, we believe that the U.S. government will require support in the form of the services that we provide, such as strategy and change management and organization and process improvement. Economic pressure has also driven an emphasis on greater accountability, transparency and spending effectiveness in U.S. government procurement practices. Recent efforts to reform procurement practices have focused on (1) decreasing the use of Lead System Integrators to avoid potential conflicts of interest and facilitate government oversight, (2) the unbundling of outsourced projects to link contract payments to specific milestones and project benchmarks in order to ensure timely delivery and adherence to required budgets and outlays and (3) the separation of certain types of work to facilitate objectivity and avoid or mitigate specific organizational conflicts of interest, or OCI issues, including, among other things, separating sellers of products and providers of advisory services in major defense acquisition programs.

Complex Defense, Intelligence and Civil Agency Requirements

The U.S. government continually reassesses and updates its long-term priorities and develops new strategies to address the rapidly evolving issues it faces. In order to deliver effective advice in this environment, service providers must possess a comprehensive knowledge of, and experience with, the participants, systems and technology employed by the U.S. government, and must also have an ability to facilitate knowledge sharing while managing varying objectives. For example, within the Department of Defense, the 2010 Quadrennial Defense Review, or the 2010 QDR, prioritizes support for the war fighter and integrating intelligence, surveillance and reconnaissance systems with weapons and ground operations. Within the U.S. Intelligence Community and across the U.S. government generally, the current priority is enhancing cyber-capabilities, including cyber-security, in the face of the continually evolving threat of terrorism and the increasing reliance of both the U.S. government and the private sector on critical information technology systems. In U.S. government fiscal year 2009, the U.S. government established the Comprehensive National Cybersecurity Initiative, or CNCI, to support and coordinate U.S. cyber initiatives. At the time of CNCI's establishment, the Washington Post reported that the U.S. government would spend approximately \$17 billion over seven years in connection with CNCI. Within the civil agencies of the U.S. government, there has been an increased focus on financial regulation, energy and environmental issues, healthcare reform and infrastructure-related challenges.

Major Changes Create Demand

Major changes in the government, political and overall economic landscape drive demand for objective management and technology consulting services and advice. Certain of these changes, such as the inauguration of a new presidential administration, are recurring in nature. Other changes are more sudden and unexpected, as was the case with the attacks of September 11, 2001 and the recent financial crisis and economic downturn. To effectively help clients develop and implement new policies and respond to evolving priorities under such circumstances, service providers must have the flexibility to rapidly redeploy intellectual capital, resources and capabilities.

Our Value Proposition to Our Clients

As a leading provider of management and technology consulting services to the U.S. government, we believe that we are well positioned to grow across markets characterized by increasing and rapid change.

Our People

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

Superior Talent Base. We have a highly educated talent base of approximately 23,300 people. Many of the U.S. government contracts for which we compete require contractors to have high-level security clearances, and our large pool of cleared employees allows us to meet these needs. As of March 31, 2010,

74% of our people held government security clearances: 25% at Secret and 47% at Top Secret (55% of the latter were Top Secret/Sensitive Compartmented Information). Through internal referrals and external recruiting efforts, we are able to successfully renew and grow our talent base, and we believe that our ability to attract top level talent is significantly enhanced by our commitment to professional development, our position as a leader in our markets, the high quality of our work and the appeal of our culture.

Focus on Talent Development. We develop our talent base by providing our people with the opportunity to work on important and complex problems, encouraging and acknowledging contributions of our people at all levels of seniority, and facilitating broad, inclusive and insightful leadership.

Assessment System that Promotes Collaboration. We use our 360-degree assessment process to help promote and enforce the consistency of our collaborative culture, core values and ethics. Each of our approximately 23,300 people receives an annual assessment and also participates in the assessment of other company personnel.

Core Values. We believe that one of the key components of our success is our focus on core values. Our core values are: client service, diversity, excellence, entrepreneurship, teamwork, professionalism, fairness, integrity, respect and trust. All new hires receive extensive training that emphasizes our core values, facilitates their integration into our collaborative, client-oriented culture and helps to ensure the delivery of consistent and exceptional client service.

Our Management Consulting Heritage

Our Approach to Client Service. Over the 70 years that we have been serving the U.S. government, we have cultivated relationships of trust with, and developed a comprehensive understanding of, our clients. This insight regarding our clients, together with our deep domain knowledge and capabilities, enable us to anticipate, identify and address the specific needs of our clients. While working on contract engagements, our people work to develop a holistic understanding of the issues and challenges facing our clients to ensure that our advice helps them achieve enduring results.

Partnership-Style Culture and Compensation System. A commitment to teamwork is deeply ingrained in our company, and our partnership-style culture is critical to maintaining this component of our operating model. We manage our company as a single profit center with a partner-style compensation system that focuses on the success of the institution over the success of the individual.

Our Client-Oriented Matrix Approach

We are able to address the complex and evolving needs of our clients and grow our business through the application of our matrix of deep domain knowledge and market-leading capabilities. Through this approach, we deploy our four key capabilities, strategy and organization, analytics, technology, and operations, across our client base. This approach enables us to quickly assemble and deploy, and redeploy when necessary, client-focused teams comprised of people with the skills and expertise needed to address the challenges facing our clients. We believe that our growth and significant win rates on new and re-competed contracts demonstrate the strength of our matrix approach as well as our industry-leading reputation and our proven track record.

Our Strategy for Continued Growth

To serve our clients and grow our business, we intend to execute the following strategies:

Expand Our Business Base. We believe that significant growth opportunities exist in our markets, and we intend to:

Deepen Our Existing Client Relationships. Our approach to client service and our collaborative culture enable us to effectively cross-sell and deploy multiple services to existing clients. We plan to leverage our comprehensive understanding of our clients' needs and our track record of successful

performance to grow our client relationships and expand the scope of the services we provide to our existing clients.

Help Clients Rapidly Respond to Change. We will continue to help our clients formulate rapid and dynamic responses to the frequent and sometimes sudden changes that they face by leveraging: the scope and scale of our domain expertise, our broad capabilities, and our one-firm culture, which allows us to effectively and efficiently allocate our resources and deploy our intellectual capital.

Broaden Our Client Base. We believe that growing demand for the types of services we provide and our ongoing business initiatives will enable us to leverage our reputation as a trusted partner and industry leader to cultivate new client relationships across all agencies and departments of the U.S. government. We will also continue to build on our current cyber-security related opportunities in the commercial market.

Capitalize on Our Strengths in Emerging Areas. We will continue to leverage our deep domain expertise and broad capabilities to help our clients address emerging issues, including:

Cyber. Network-enabled technology now forms the backbone of our economy, infrastructure and national security, and recent national policies and governmental initiatives in this area are creating new cyber-related opportunities. We are currently involved in numerous cyber-related initiatives for our defense, intelligence and civil clients and cyber-security initiatives for commercial clients.

Government Efficiency and Procurement. We are focused on helping the U.S. government achieve operating and budgetary efficiencies driven by the need to control spending while simultaneously pursuing numerous policy initiatives. In addition, recent U.S. government reforms in the procurement area may allow us to leverage our status as a large, objective service provider with deep domain knowledge and technical expertise to win additional assignments to the extent that we are able to address OCI and similar concerns more easily than our competitors.

Ongoing Healthcare Transformation. We expect recent and ongoing developments in the healthcare market, such as the passage of the Affordable Care Act of 2010 and the Health Information Technology for Economic and Clinical Health Act of 2009, to increase demand for our healthcare consulting capabilities. We have been serving healthcare-oriented clients in the U.S. government since the late 1980 s.

Systems Engineering & Integration, or SE&I. Our clients are increasingly utilizing SE&I services to help them manage every phase of the development and integration of increasingly sophisticated information technology, communications and mission systems ranging from satellite and space systems to air traffic control and naval systems. Through the application of our matrix, we have developed deep cross-market SE&I capabilities combining engineering, acquisition, management and prime contracting expertise. We plan to leverage this knowledge and expertise to bid on large-scale SE&I contract awards.

Continue to Innovate. We will continue to invest significant resources in our efforts to identify near-term developments and long-term trends that may present significant challenges or opportunities for our clients. Our single profit center and one-firm culture provide the flexibility to devote company-wide resources and key intellectual capital to developing the functional capabilities and expertise needed to address new and emerging challenges. We have regularly allocated significant resources to these business development efforts and have successfully transitioned several such initiatives into meaningful contributors to our business. We continue to invest in many initiatives at various stages of development, and are currently focused on cloud computing, advanced analytics, and the deployment of specialized services and capabilities in the financial sector, among others.

Our Principal Stockholder

Our principal stockholder is Explorer Coinvest LLC, or Coinvest, an entity controlled by Carlyle. Coinvest became our principal stockholder in our July 2008 merger transaction, which, together with the spin off of our commercial and international business and the related transactions, is referred to in this prospectus as the Acquisition. See The Acquisition and Recapitalization Transaction.

The Carlyle Group is a global alternative asset manager with \$90.5 billion under management committed to 67 funds as of March 31, 2010. Carlyle invests in buyouts, growth capital, real estate and leveraged finance in North America, Europe, Asia, Australia, the Middle East and North Africa, and Latin America focusing on aerospace and defense, automotive and transportation, consumer and retail, energy and power, financial services, healthcare, industrial, infrastructure, technology and business services and telecommunications and media. Since 1987, the firm has invested \$60.6 billion of equity in 969 transactions for a total purchase price of \$233.4 billion. Carlyle employs 880 people in 27 offices throughout the world.

As of March 31, 2010, Carlyle, through Coinvest, owned 79% of our outstanding common stock, representing 81% of the total voting power in our company. Following the completion of this offering and assuming that the underwriters do not exercise their option to purchase additional shares of Class A common stock, Carlyle will continue to own % of our outstanding common stock, representing % of the total voting power in our company. Because of certain voting and other provisions of the current stockholders agreement, Carlyle may be deemed to share beneficial ownership over shares of common stock held by other stockholders. Of the seven members currently serving on our board of directors, or the Board, four were designated by Carlyle. Under the terms of an amended and restated stockholders agreement to be entered into among Booz Allen Holding and Coinvest in connection with this offering, or the Amended and Restated Stockholders Agreement, Carlyle will continue to have the right to designate a majority of the Board nominees for election and the voting power to elect such nominees following the completion of the offering. In addition, the Amended and Restated Stockholders Agreement will continue to provide rights and restrictions with respect to certain transactions in our securities entered into by Coinvest or certain other stockholders. See Certain Relationships and Related Party Transactions Related Person Transactions Stockholders Agreement.

Company Information

We are incorporated under the laws of the state of Delaware. Our principal executive office is located at 8283 Greensboro Drive, McLean, Virginia 22102, and our telephone number is (703) 902-5000. Our website is www.boozallen.com and is included in this prospectus as an inactive textual reference only. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this prospectus.

The Offering

Class A common stock offered by us	shares
Class A common stock outstanding after the offering	shares
Option to purchase additional shares of Class A common stock	The underwriters have a 30-day option to purchase an additional shares of Class A common stock from us.
Proposed stock exchange symbol	BAH
Use of proceeds	We estimate that our net proceeds from the offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$ million, based on the midpoint of the price range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering to repay \$ million of indebtedness outstanding under the Mezzanine Credit Facility and pay an associated prepayment penalty of \$ million. See Use of Proceeds. Certain of the underwriters of this offering or their affiliates are lenders under our Senior Credit Facilities and Mezzanine Credit Facility. Accordingly, certain of the underwriters may receive net proceeds from this offering in connection with the repayment of the Mezzanine Credit Facility. See Underwriting.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding whether to invest in shares of our Class A common stock.
Dividend policy	We do not expect to pay dividends on our Class A common stock for the foreseeable future.

Following this offering, we will have four classes of authorized common stock: Class A common stock, Class B non-voting common stock, Class C restricted common stock and Class E special voting common stock. As of , 2010, , and shares of our Class B non-voting common stock, Class C restricted common stock and Class E special voting common stock were outstanding. The rights of the holders of Class A common stock, Class C restricted common stock and Class E special voting common stock are identical, except with respect to participation in dividends and other distributions, vesting and conversion. Class A common stock, Class C restricted common stock and Class E special voting common stock are entitled to one vote per share on all matters voted on by our stockholders. The Class B common stock is non-voting common stock. When stock options related to our Class E common stock are exercised, we will repurchase the underlying share of Class E common stock and issue a share of Class A common stock to the option holder. See Description of Capital Stock.

The number of shares of our Class A common stock to be outstanding immediately after the offering is based on the number of shares of Class A common stock outstanding as of , 2010. Such number excludes:

shares of Class A common stock reserved for issuance under our Equity Incentive Plan, including shares issuable upon the exercise of outstanding stock options;

shares of Class A common stock reserved for issuance under our Officers Rollover Stock Plan upon the exercise of outstanding stock options related to outstanding shares of our Class E special voting common stock and our mandatory repurchase of those shares in connection with such exercise; and

shares of Class A common stock issuable upon transfer of outstanding Class B non-voting common stock and Class C restricted common stock.

Unless we indicate otherwise, the information in this prospectus:

reflects a -for-1 split of our outstanding common stock to be effected prior to the completion of this offering;

gives effect to amendments to our certificate of incorporation and bylaws to be adopted prior to the completion of this offering and the related elimination of our Class D merger rolling common stock and Class F non-voting restricted common stock prior to the completion of this offering;

assumes the issuance of shares of Class A common stock in this offering;

assumes that the initial public offering price of our Class A common stock will be \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;

assumes that the underwriters will not exercise their over-allotment option; and

presents indebtedness outstanding under the Senior Credit Facilities and the Mezzanine Credit Facility as of any particular date net of unamortized discount.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables provide a summary of our historical consolidated financial and other data for the periods indicated. The summary consolidated financial data for fiscal 2008 and fiscal 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any future period. The information below should be read in conjunction with Capitalization, Selected Historical Consolidated Financial and Other Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and notes thereto included in this prospectus.

As discussed in more detail under The Acquisition and Recapitalization Transaction, Booz Allen Hamilton was indirectly acquired by Carlyle on July 31, 2008. Immediately prior to the Acquisition, Booz Allen Hamilton spun-off its commercial and international business and retained its U.S. government business. The accompanying consolidated financial statements included elsewhere in this prospectus are presented for (1) the Predecessor, which are the financial statements of Booz Allen Hamilton and its consolidated subsidiaries for the period preceding the Acquisition, and (2) the Company, which are the financial statements of Booz Allen Holding and its consolidated subsidiaries for the period following the Acquisition. Prior to the Acquisition, Booz Allen Hamilton's U.S. government business is presented as the continuing operations of the Predecessor. The Predecessor's consolidated financial statements have been presented for the twelve months ended March 31, 2008 and the four months ended July 31, 2008. The operating results of the commercial and international business that was spun off by Booz Allen Hamilton effective July 31, 2008 have been presented as discontinued operations in the Predecessor consolidated financial statements and the related notes included in this prospectus. The Company's consolidated financial statements for periods subsequent to the Acquisition have been presented from August 1, 2008 through March 31, 2009 and for the twelve months ended March 31, 2010. The Predecessor's financial statements may not necessarily be indicative of the cost structure or results of operations that would have existed if the U.S. government business operated as a stand-alone, independent business. The Acquisition was accounted for as a business combination, which resulted in a new basis of accounting. The Predecessor's and the Company's financial statements are not comparable as a result of applying a new basis of accounting. See Notes 1, 4, and 24 to our consolidated financial statements for additional information regarding the accounting treatment of the Acquisition and discontinued operations.

The results of operations for fiscal 2008 are presented as adjusted to reflect the change in accounting principle related to our revenue recognition policies as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates and Policies.

Included in the table below are unaudited pro forma results of operations for the twelve months ended March 31, 2009, or pro forma 2009, assuming the Acquisition had been completed as of April 1, 2008. The unaudited pro forma condensed consolidated results of operations for fiscal 2009 are based on our historical audited consolidated financial statements included elsewhere in this prospectus, adjusted to give pro forma effect to the Acquisition. The unaudited pro forma condensed consolidated results of operations for fiscal 2009 are presented because management believes it provides a meaningful comparison of operating results enabling twelve months of fiscal 2009, adjusted for the impact of the Acquisition, to be compared with fiscal 2010. The unaudited pro forma condensed consolidated financial statements are for informational purposes only and do not purport to represent what our actual results of operations would have been if the Acquisition had been completed as of April 1, 2008 or that may be achieved in the future. The unaudited pro forma condensed consolidated financial information and the accompanying notes should be read in conjunction with our historical audited consolidated financial statements and related notes appearing elsewhere in this prospectus and other financial information contained in Risk Factors, The Acquisition and Recapitalization Transaction, and Management's Discussion and Analysis of Financial Condition and Results of Operations in this

prospectus. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations for a description of the pro forma adjustments attributable to the Acquisition.

The pro forma as adjusted (i) earnings per share and weighted average shares outstanding set forth in the table below give effect to the net proceeds to us from the sale of shares of our Class A common stock in this offering at an assumed initial public offering price of \$, the midpoint of the range set forth on the cover page of this prospectus, and the use of our net proceeds from this offering to repay borrowings under our Mezzanine Credit Facility and the associated prepayment penalty as described in Use of Proceeds, as if each had occurred on April 1, 2009, and (ii) balance sheet data set forth in the table below gives effect to the net proceeds to us from the sale of shares of our Class A common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the range set forth on the cover of this prospectus, and the use of our net proceeds from this offering to repay borrowings under our Mezzanine Credit Facility and the associated prepayment penalty as described in Use of Proceeds, as if each had occurred on March 31, 2010.

	Predecessor	The Company	
	Fiscal Year Ended March 31, 2008 (As adjusted)	Pro Forma Fiscal Year Ended March 31, 2009(1)	Fiscal Year Ended March 31, 2010
(In thousands, except share and per share data)			
Consolidated Statement of Operations Data:			
Revenue	\$ 3,625,055	\$ 4,351,218	\$ 5,122,633
Operating costs and expenses:			
Compensation and other costs	2,028,848	2,296,335	2,654,143
Billable expenses	935,459	1,158,320	1,361,229
General and administrative expenses	474,188	723,827	811,944
Depreciation and amortization	33,079	106,335	95,763
Total operating costs and expenses	3,471,574	4,284,817	4,923,079
Operating income	153,481	66,401	199,554
Interest income	2,442	5,312	1,466
Interest expense	(2,319)	(146,803)	(150,734)
Other expense, net	(1,931)	(182)	(1,292)
Income (loss) from continuing operations before income taxes	151,673	(75,272)	48,994
Income tax (benefit) expense from continuing operations	62,693	(25,831)	23,575
Income (loss) from continuing operations	88,980	\$ (49,441)	25,419
Loss from discontinued operations	(71,106)		
Net income	\$ 17,874		\$ 25,419
Weighted average common shares outstanding(2)(3):			
Basic			
Diluted			

Edgar Filing: Booz Allen Hamilton Holding Corp - Form S-1

Earnings per share from continuing operations(2)(3):				
Basic	\$		\$	\$
Diluted				
Pro forma as adjusted weighted average shares outstanding(3)(4):				
Basic				
Diluted				
Pro forma as adjusted earnings per share from continuing operations(3)(4):				
Basic				\$
Diluted				
Dividends per share (unaudited)	\$		\$	\$ (5)
Other Financial Data (unaudited):				
Adjusted EBITDA(6)	\$	226,874	\$	277,344 \$ 368,323
Adjusted Net Income(6)				\$ 97,000
Free Cash Flow(6)				\$ 221,213

	Predecessor As of March 31, 2008	The Company As of March 31 2009	2010
Other Data (unaudited):			
Backlog (in thousands)(7)	N/A(8)	\$ 7,278,782	\$ 9,012,923
Employees	18,822	21,614	23,315

	The Company As of March 31, 2010 Pro Forma as Actual Adjusted(9) (In thousands)
Consolidated Balance Sheet Data:	
Cash and cash equivalents	\$ 307,835
Working capital	584,248
Total assets	3,062,223
Long-term debt, net of current portion	1,546,782
Stockholders' equity	509,583

(1) See Selected Historical Consolidated Financial and Other Data and Management's Discussion and Analysis of Financial Condition and Results of Operation Results of Operations for further information regarding our unaudited pro forma condensed consolidated results of operations.

(2) Basic earnings per share for the Company has been computed using the weighted average number of shares of Class A common stock, Class B non-voting common stock and Class C restricted common stock outstanding during the period. The Company's diluted earnings per share has been computed using the weighted average number of shares of Class A common stock, Class B non-voting common stock and Class C restricted common stock including the dilutive effect of outstanding common stock options and other stock-based awards. The weighted average number of Class E special voting common stock has not been included in the calculation of either basic earnings per share or diluted earnings per share due to the terms of such common stock.

Basic earnings per share for the Predecessor has been computed using the weighted average number of shares of Class A common stock outstanding during the period. The Predecessor's diluted earnings per share has been computed using the weighted average number of shares of Class A common stock including the dilutive effect of outstanding stock-based awards.

(3) Reflects a - for-1 split of our outstanding common stock to be effected prior to the completion of this offering.

(4) Includes shares of Class A common stock offered by us in this offering. Pro forma as adjusted earnings per share data also gives effect to the reduction in interest expense related to the use of the net proceeds from this offering to repay a portion of the Mezzanine Credit Facility.

- (5) Reflects the payment of special dividends in the aggregate amount of \$114.9 million and \$497.5 million to holders of record of our Class A common stock, Class B non-voting common stock, and Class C restricted common stock as of July 29, 2009 and December 8, 2009, respectively.
- (6) We utilize and discuss Adjusted EBITDA, Adjusted Net Income and Free Cash Flow because our management uses these measures for business planning purposes, including to manage the business against internal projected results of operations and measure the performance of the business generally. We also present Adjusted EBITDA, Adjusted Net Income and Free Cash Flow in this prospectus as supplemental performance measures because we believe that these measures provide investors and securities analysts with important supplemental information with which to evaluate our performance. We prepare Adjusted EBITDA and Adjusted Net 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, Adjusted Net Income and Free Cash Flow as discussed in this prospectus may vary from and may not be comparable to similarly titled measures presented by other companies in our industry. Adjusted EBITDA is different from the term EBITDA as it is commonly used, and Adjusted EBITDA also varies from (i) the measure Consolidated EBITDA discussed in this prospectus under Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Indebtedness and (ii) the measures EBITDA and Bonus EBITDA discussed in this prospectus under Executive Compensation. None of Adjusted EBITDA, Adjusted Net Income or Free Cash Flow is a recognized measurement under U.S. Generally Accepted Accounting Principles, or GAAP, and when analyzing our performance, investors should (i) evaluate each adjustment in our reconciliation of net income to Adjusted EBITDA and net income to Adjusted Net Income and the explanatory footnotes regarding those adjustments and (ii) use Adjusted EBITDA, Adjusted Net Income and Free Cash Flow in addition to, and not as alternatives to, operating income or net income as a measure of operating results or cash flows as a measure of liquidity, each as defined under GAAP.

Adjusted EBITDA represents net income before income taxes, net interest and other expense and depreciation and amortization and before certain other items, including: (i) certain stock option-based and other equity-based compensation expenses, (ii) transaction costs, fees, losses and expenses, (iii) the impact of the application of purchase accounting and (iv) any extraordinary, unusual or non-recurring items.

Adjusted Net Income represents net income before: (i) certain stock option-based and other equity-based compensation expenses, (ii) transaction costs, fees, losses and expenses, (iii) the impact of the application of purchase accounting, (iv) adjustments related to the amortization of intangible assets, (v) amortization or write-off of debt issuance costs and write-off of original issue discount, or OID, and (vi) any extraordinary, unusual or non-recurring items, in each case net of the tax effect calculated using an assumed effective tax rate.

Free Cash Flow represents (i) net cash provided by operating activities of continuing operations after (ii) purchases of property and equipment each as presented in our consolidated statements of cash flows.

The following table reconciles net income to Adjusted EBITDA:

	Predecessor	The Company	
	Fiscal Year Ended March 31, 2008 (As adjusted)	Pro Forma Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010
		(In thousands)	
Net income (loss)	\$ 17,874	\$ (49,441)(a)	\$ 25,419
Income tax (benefit) expense	62,693	(25,831)	23,575
Interest and other expense, net	1,808	141,673	150,560
Depreciation and amortization(b)	33,079	106,335	95,763
Certain stock-based compensation expense(c)	35,013	82,019	68,517
Transaction expenses(d)	5,301	19,512	3,415
Purchase accounting adjustments(e)		3,077	1,074
Non-recurring items(f)	71,106		

Adjusted EBITDA	\$	226,874	\$	277,344	\$	368,323
-----------------	----	---------	----	---------	----	---------

- (a) Represents loss from continuing operations.
- (b) Includes \$57.8 million and \$40.6 million in pro forma 2009 and fiscal 2010, respectively, of amortization of intangible assets resulting from the Acquisition.
- (c) Reflects (i) \$35.0 million of expense in fiscal 2008 for stock rights under the Predecessor's Officer Stock Rights Plan, which were accounted for as liability awards, and (ii), \$70.5 million and

\$49.3 million of stock-based compensation expense for pro forma 2009 and fiscal 2010, respectively, for new options for Class A common stock and restricted shares, in each case, issued in connection with the Acquisition under the Officers Rollover Stock Plan established in connection with the Acquisition. Expense is based on vesting schedules from three to five years, which is dependent on whether officers were classified as retirement or non-retirement eligible at the time of the Acquisition. Also reflects \$11.5 million and \$19.2 million for pro forma 2009 and fiscal 2010, respectively, of stock-based compensation expense for Equity Incentive Plan Class A common stock options issued in connection with the Acquisition under the Equity Incentive Plan established in connection with the Acquisition.

- (d) Fiscal 2008 and pro forma 2009 reflect charges related to the Acquisition, including legal, tax and accounting expenses. Fiscal 2010 reflects costs related to the modification of our Credit Facilities, the establishment of the Tranche C term loan facility under the Senior Credit Facilities and the related payment of special dividends. See Acquisition and Recapitalization Transaction .
- (e) Reflects adjustments resulting from the application of purchase accounting in connection with the Acquisition not otherwise included in depreciation and amortization.
- (f) Reflects loss from discontinued operations.

The following table reconciles net income to Adjusted Net Income:

	The Company
	Fiscal Year Ended
	March 31, 2010
Net income (loss)	\$ 25,419
Certain stock-based compensation expense(a)	68,517
Transaction expenses(b)	3,415
Purchase accounting adjustments(c)	1,074
Amortization of intangible assets(d)	40,597
Amortization or write-off of debt issuance costs and write-off of OID	5,700
Adjustments for tax effect(e)	(47,721)
Adjusted Net Income	\$ 97,000

- (a) Reflects \$49.3 million of stock-based compensation expense for new options for Class A common stock and restricted shares, in each case issued in connection with the Acquisition under the Officers Rollover Stock Plan established in connection with the Acquisition. Expense is based on vesting schedules from three to five years, which is dependent on whether officers were classified as retirement or non-retirement eligible at the time of the Acquisition. Also reflects \$19.2 million of stock-based compensation expense for Equity Incentive Plan Class A common stock options issued in connection with the Acquisition under the Equity Incentive Plan established in connection with the Acquisition.
- (b) Reflects costs related to the modification of our Credit Facilities, the establishment of the Tranche C term loan facility under the Senior Credit Facilities and the related payment of special dividends. See Acquisition and Recapitalization Transaction .

- (c) Reflects adjustments resulting from the application of purchase accounting in connection with the Acquisition.
 - (d) Reflects amortization of intangible assets resulting from the Acquisition.
 - (e) Reflects taxes on adjustments at an assumed marginal effective tax rate of 40%. See Management's Discussion and Analysis of Financial Condition and Results of Operations Factors and Trends Affecting Our Results of Operations Income Taxes and our consolidated financial statements and related footnotes included in this prospectus.
- (7) We define backlog to include funded backlog, unfunded backlog and priced options. 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 those contracts. Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized. 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 is given as of the end of each period presented. See Risk Factors - Risks Relating to Our Business - We may not realize the full value of our backlog, which may result in lower than expected revenue, Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors and Trends Affecting Our Results of Operations - Sources of Revenue - Contract Backlog and Business - Backlog.

- (8) Not available because we began to separately track information on priced options on April 1, 2008.
- (9) Each \$1.00 increase (decrease) in the assumed public offering price of \$ per share would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets, long-term debt, net of current portion and stockholders' equity by approximately \$ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 increase in the assumed offering price of \$ per share, would increase the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets, long-term debt, net of current portion, and stockholders' equity by approximately \$ million. Similarly, each decrease of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 decrease in the assumed offering price of \$ per share, would decrease the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets, long-term debt, net of current portion, and stockholders' equity by approximately \$ million. The information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this prospectus, including our consolidated financial statements and related notes appearing at the end of this prospectus, before making an investment decision. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our common stock could decline, and you may lose all or part of your original investment. This prospectus also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Risks Related to Our Business

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

The U.S. government is our primary client, with revenue from contracts and task orders, either as a prime or a subcontractor, with U.S. government agencies accounting for 98% of our revenue for fiscal 2010. Our belief is that the successful future growth of our business will continue to depend primarily on our ability to be awarded work under U.S. government contracts, as we expect this will be the primary source of all of our revenue in the foreseeable future. For this reason, any issue that compromises our relationship with the U.S. government generally or any U.S. government agency that we serve would cause our revenue to decline. Among the key factors in maintaining our relationship with U.S. government agencies are our performance on contracts and task orders, the strength of our professional reputation, compliance with applicable laws and regulations, and the strength of our relationships with client personnel. If a client is not satisfied with the quality or type of work performed by us, a subcontractor or other third parties who provide services or products for a specific project, clients might seek to terminate the contract prior to its scheduled expiration date, provide a negative assessment of our performance to government-maintained contractor past-performance data repositories, fail to award us additional business under existing contracts or otherwise and direct future business to our competitors. Furthermore, we may incur additional costs to address any such situation and the profitability of that work might be impaired. To the extent that our performance does not meet client expectations, or our reputation or relationships with any of our clients is impaired, our revenue and operating profits could materially decline.

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

Our business depends upon continued U.S. government expenditures on defense, intelligence and civil programs for which we provide support. These expenditures have not remained constant over time and have been reduced in certain periods. Our business, prospects, financial condition or operating results could be materially harmed among other causes by the following:

- budgetary constraints affecting U.S. government spending generally, or specific agencies in particular, and changes in available funding;

- a shift in expenditures away from agencies or programs that we support;

reduced U.S. government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing;

changes in U.S. government programs that we support or related requirements;

U.S. government shutdowns (such as that which occurred during government fiscal year 1996) or weather-related closures in the Washington, DC area (such as that which occurred in February 2010) and other potential delays in the appropriations process;

U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;

delays in the payment of our invoices by government payment offices; and

changes in the political climate and general economic conditions, including a slowdown or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

In particular, insourcing has become a major initiative for the Department of Defense. The Department of Defense is one of our significant clients and a reduction in the amount of services that we are contracted to provide to the Department of Defense as a result of this initiative or otherwise could have a material adverse effect on our business and results of operations.

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

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

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

the Federal Acquisition Regulation, or the FAR, and agency regulations supplemental to the FAR, which regulate the formation, administration and performance of U.S. government contracts. Specifically, FAR 52.203-13 requires contractors to establish a Code of Business Ethics and Conduct, implement a comprehensive internal control system, and report to the government when the contractor has credible evidence that a principal, employee, agent, or subcontractor, in connection with a government contract, has violated certain federal criminal law, violated the civil False Claims Act or has received a significant overpayment;

the False Claims Act and False Statements Act, which impose civil and criminal liability for presenting false or fraudulent claims for payments or reimbursement, and making false statements to the U.S. government, respectively;

the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification or task order;

laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services and technical data; and

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

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

Our performance under our U.S. government contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to periodic audit, review and investigation by various agencies of the U.S. government. If such an audit, review or investigation uncovers a violation of a law or regulation, or

improper or illegal activities relating to our U.S. government contracts, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from contracting with U.S. government agencies. Such penalties and sanctions are not uncommon in the industry and there is inherent uncertainty as to the outcome of any particular audit, review or investigation. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position and future prospects could be materially and adversely affected. Further, if the U.S. government were to initiate suspension or debarment proceedings against us or if we are indicted for or convicted of illegal activities relating to our U.S. government contracts following an audit, review or investigation, we may lose our ability to be awarded contracts in the future or receive renewals of existing contracts for a period of time which could materially and adversely affect our results of operations or financial condition. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts.

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

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

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

- the necessity to expend resources, make financial commitments (such as procuring leased premises) and bid on engagements in advance of the completion of their design, which may result in unforeseen difficulties in execution, cost overruns and, in the case of an unsuccessful competition, the loss of committed costs;

- the substantial cost and managerial time and effort spent to prepare bids and proposals for contracts that may not be awarded to us;

- the ability to accurately estimate the resources and costs that will be required to service any contract we are awarded;

- the expense and delay that may arise if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract; and

- any opportunity cost of bidding and winning other contracts we might otherwise pursue.

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

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

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

We believe that one of the key elements of our success is our position as the holder of 11 General Services Administration Multiple Award schedule contracts, or GSA schedules, and as a prime contractor under four government-wide acquisition contract vehicles, or GWACs, as of March 31, 2010. Accordingly, our ability to maintain our existing business and win new business depends on our ability to maintain our position as a GSA schedule contractor and a prime contractor on GWACs. The loss of any of our GSA schedules or our prime contractor position on any of our contracts could have a material adverse effect on our ability to win new business and our operating results. In addition, if the U.S. government elects to use a contract vehicle that we do not hold, we will not be able to compete for work under that contract vehicle as a prime contractor.

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

Many of our contracts with our clients are indefinite delivery, indefinite quantity, or ID/IQ, contracts, including GSA schedules and GWACs. Our ability to generate revenue under each of these types of contracts depends upon our ability to be awarded task orders for specific services by the client. Multiple contractors may often compete under any of these contracts for task orders to provide particular services, and contractors earn revenue only to the extent that they successfully compete for these task orders. In fiscal 2008, pro forma 2009 and fiscal 2010, our revenue under our GSA schedules and GWACs accounted for 29%, 27% and 23%, respectively, of our total revenue. A failure to be awarded task orders under such contracts would have a material adverse effect on our results of operations and financial condition.

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

We enter into three general types of U.S. government contracts for our services: cost-reimbursable, time-and-materials and fixed-price. For fiscal 2010, we derived 50% of our revenue from cost-reimbursable contracts, 38% from time-and-materials contracts and 12% from fixed-price contracts.

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

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

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

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

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

Our professional reputation is critical to our business.

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

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

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

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

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

As of March 31, 2010, our total backlog was \$9.0 billion, of which \$2.5 billion was funded. We define backlog to include the following three components:

Funded Backlog. Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.

Unfunded Backlog. Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.

Priced Options. Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

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

We historically have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog and priced options. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are beyond our control. For example, the actual receipt of revenue from contracts included in backlog may never occur or may be delayed because a program schedule could change or the program could be canceled, or a contract could be reduced, modified or terminated early,

including as a result of a lack of appropriated funds. In addition, even if our backlog results in revenue, the contracts may not be profitable.

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

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

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

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

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

Our profitability could suffer if we are not able to effectively utilize our professionals.

The cost of providing our services, including the utilization rate of our professionals, affects our profitability. Our utilization rate is affected by a number of factors, including:

our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;

our ability to forecast demand for our services and thereby maintain headcount that is aligned with demand;

our ability to manage attrition; and

our need to devote time and resources to training, business development and other non-chargeable activities.

If our utilization rate is too low, our profit margin and profitability could suffer. Additionally, if our utilization rate is too high, it could have a material adverse effect on employee engagement and attrition, which would in turn have a material adverse impact on our business.

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

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

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

We are exposed to the risk that employee or subcontractor fraud or other misconduct could occur. Misconduct by employees or subcontractors could include intentional or unintentional failures to comply with U.S. government procurement regulations, engaging in unauthorized activities or falsifying time records. Employee or subcontractor misconduct could also involve the improper use of our clients' sensitive or classified information or the failure to comply with legislation or regulations regarding the protection of sensitive or classified information. It is not always possible to deter employee or subcontractor misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could materially harm our business. As a result of such misconduct, our employees could lose their security clearance and we could face fines and civil or criminal penalties, loss of facility clearance accreditation and suspension or debarment from contracting with the U.S. government, as well as reputational harm, which would materially and adversely affect our results of operations and financial condition.

We face intense competition from many competitors that, among other things, have greater resources than we do.

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

divert sales from us by winning very large-scale government contracts, a risk that is enhanced by the recent trend in government procurement practices to bundle services into larger contracts;

force us to charge lower prices in order to win or maintain contracts;

seek to hire our employees; or

adversely affect our relationships with current clients, including our ability to continue to win competitively awarded engagements where we are the incumbent.

If we lose business to our competitors or are forced to lower our prices or suffer employee departures, our revenue and our operating profits could decline. In addition, we may face competition from our subcontractors who, from time to time, seek to obtain prime contractor status on contracts for which they currently serve as a subcontractor to us. If one or more of our current subcontractors are awarded prime

contractor status on such contracts in the future, it could divert sales from us and could force us to charge lower prices, which could have a material adverse effect on our revenue and profitability.

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

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

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

We estimate that revenue derived from contracts in which we acted as a subcontractor to other companies represented 13% of our revenue for fiscal 2010. As a subcontractor, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required, and could cause other contractors to choose not to hire us as a subcontractor in the future. In addition, if the U.S. government terminates or reduces other prime contractors' programs or does not award them new contracts, subcontracting opportunities available to us could decrease, which would have a material adverse effect on our financial condition and results of operations.

We may have adverse judgments or settlements in legal disputes.

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

prospectus under the caption "Business - Legal Proceedings" are subject to future developments and management's view of these matters may change in the future.

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

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

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

We create, implement and maintain information technology and engineering systems, and provide services that are often critical to our clients' operations, some of which involve classified or other sensitive information and may be conducted in war zones or other hazardous environments. We are subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Any such failures could cause loss of data and interruptions or delays in our or our clients' businesses and could damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business and results of operations.

If our systems, services or other applications have significant defects or errors, are subject to delivery delays or fail to meet our clients' expectations, we may:

lose revenue due to adverse client reaction;

be required to provide additional services to a client at no charge;

receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients; or

suffer claims for substantial damages.

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

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

The growth of our business entails risks associated with new relationships, clients, capabilities, service offerings and maintaining our collaborative culture.

We are focused on growing our presence in our addressable markets by: expanding our relationships with existing clients, developing new clients by leveraging our core competencies, creating new capabilities to address our clients emerging needs and undertaking business development efforts focused on identifying near-term developments and long-term trends that may pose significant challenges for our clients. These efforts entail inherent risks associated with innovation and competition from other participants in those areas and potential failure to help our clients respond to the challenges they face. As we attempt to develop new

relationships, clients, capabilities and service offerings, these efforts could harm our results of operations due to, among other things, a diversion of our focus and resources, actual costs and opportunity costs of pursuing these opportunities in lieu of others, and these efforts could be unsuccessful. In addition, our ability to grow our business by leveraging our operating model to efficiently and effectively deploy our people across our client base is largely dependent on our ability to maintain our collaborative culture. To the extent that we are unable to maintain our culture for any reason, we may be unable to grow our business. Any such failure could have a material adverse effect on our business and results of operations.

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

In connection with the Acquisition and the Recapitalization Transaction and as a result of our business activities, we have incurred a substantial amount of debt. As of March 31, 2010, on a pro forma basis after giving effect to this offering and the use of the net proceeds therefrom as described in Use of Proceeds, we would have had approximately \$ million of debt outstanding. The instruments governing our indebtedness may not prevent us or our subsidiaries from incurring additional debt in the future or other obligations that do not constitute indebtedness, which could increase the risks described below and lead to other risks. In addition, we may, at our option and subject to certain closing conditions including pro forma compliance with financial covenants, increase the borrowing capacity under our Senior Credit Facilities without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, to an amount not to exceed \$100 million. The amount of our debt or such other obligations could have important consequences for holders of our Class A common stock, including, but not limited to:

our ability to satisfy obligations to lenders may be impaired, resulting in possible defaults on and acceleration of our indebtedness;

our ability to obtain additional financing for refinancing of existing indebtedness, working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;

a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;

we may be increasingly vulnerable to economic downturns and increases in interest rates;

our flexibility in planning for and reacting to changes in our business and the industry may be limited; and

we may be placed at a competitive disadvantage relative to other firms in our industry.

Our Credit Facilities contain financial and operating covenants that limit our operations and could lead to adverse consequences if we fail to comply with them.

Our Credit Facilities contain financial and operating covenants relating to, among other things, interest coverage and leverage ratios, as well as limitations on mergers, consolidations and dissolutions, sales of assets, investments and acquisitions, indebtedness and liens, dividends, repurchase of shares of capital stock and options to purchase shares of capital stock, transactions with affiliates, sale and leaseback transactions, and restricted payments. Failure to meet these financial and operating covenants could result from, among other things, changes in our results of operations, the incurrence of debt, or changes in general economic conditions, which may be beyond our control. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders, which could harm our business and operations.

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

For fiscal 2010, we derived a substantial portion of our revenue from contracts with the U.S. government that are classified or subject to security restrictions which preclude the dissemination of certain information. Because we are limited in our ability to provide details about these contracts, their risks or any dispute or claims relating to such contracts, you will have less insight into certain portions of our business and therefore may be less able to fully evaluate the risks related to those portions of our business.

Our business may be adversely affected if we cannot collect our receivables.

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

Recent efforts by the U.S. government to revise its organizational conflict of interest rules could adversely affect our results of operations.

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

impaired objectivity;

unfair access to non-public information; or

the ability to set the ground rules for another procurement for which the contractor competes.

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

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

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

we may not be able to identify suitable acquisition candidates at prices we consider attractive;

we may not be able to compete successfully for identified acquisition candidates, complete acquisitions or accurately estimate the financial effect of acquisitions on our business;

future acquisitions may require us to issue common stock or spend significant cash, resulting in dilution of ownership or additional debt leverage;

we may have difficulty retaining an acquired company's key employees or clients;

we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties, such as incompatible accounting, information management, or other control systems, and greater expenses than expected;

acquisitions may disrupt our business or distract our management from other responsibilities;

as a result of an acquisition, we may incur additional debt and we may need to record write-downs from future impairments of intangible assets, each of which could reduce our future reported earnings; and

we may have difficulty integrating personnel from the acquired company with our people and our core values.

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

Risks Related to Our Industry

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

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

terminate existing contracts, with short notice, for convenience as well as for default;

reduce orders under or otherwise modify contracts;

for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate and current;

for some contracts, (i) demand a refund, make a forward price adjustment or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under certain triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;

terminate our facility security clearances and thereby prevent us from receiving classified contracts;

cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

decline to exercise an option to renew a multi-year contract or issue task orders in connection with ID/IQ contracts;

claim rights in solutions, systems and technology produced by us;

prohibit future procurement awards with a particular agency due to a finding of OCI based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;

subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction or modification of the awarded contract; and

suspend or debar us from doing business with the U.S. government.

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

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

The U.S. government may:

revise its procurement practices or adopt new contract laws, rules and regulations, such as cost accounting standards, OCI and other rules governing inherently governmental functions at any time;

face restrictions or pressure from government employees and their unions regarding the amount of services the U.S. government may obtain from private contractors;

award contracts on a technically acceptable/lowest cost basis in order to reduce expenditures, and we may not be the lowest cost provider of services;

change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements; and

at its option, terminate or decline to renew our contracts.

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

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

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

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

U.S. government agencies routinely audit, review and investigate government contracts and government contractors administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards, including applicable government cost accounting standards. They also review our compliance with government regulations and policies and the Defense Contract Audit Agency, or the DCAA, audits, among other areas, the adequacy of our internal control systems and

policies, including our purchasing, property, estimating, compensation and management information systems. In particular, over time the DCAA has increased and may continue to increase the proportion of employee compensation that it deems unallowable and the size of the employee population whose compensation is disallowed, which will continue to materially and adversely affect our results of operations or financial condition. Any costs found to be unallowable under a contract will not be reimbursed, and any such costs already reimbursed must be refunded. Moreover, if any of the administrative processes and systems are found not to comply with government imposed requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect

our ability to compete for or perform contracts. Unfavorable U.S. government audit, review or investigation results could subject us to civil or criminal penalties or administrative sanctions, and could harm our reputation and relationships with our clients and impair our ability to be awarded new contracts. For example, if our invoicing system were found to be inadequate following an audit by the DCAA, our ability to directly invoice U.S. government payment offices could be eliminated. As a result, we would be required to submit each invoice to the DCAA for approval prior to payment, which could materially increase our accounts receivable days sales outstanding and adversely affect our cash flow. An unfavorable outcome to an audit, review or investigation by any U.S. government agency could materially and adversely affect our relationship with the U.S. government. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the U.S. government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Provisions that we have recorded in our financial statements as a compliance reserve may not cover actual losses. Each of these results could materially and adversely affect our results of operations or financial condition.

There may be a delay in the completion of the U.S. government's budget process.

On an annual basis, the U.S. Congress must approve budgets that govern spending by each of the federal agencies we support. When the U.S. Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, the U.S. Congress typically enacts a continuing resolution. A continuing resolution allows government agencies to operate at spending levels approved in the previous budget cycle. When government agencies operate on the basis of a continuing resolution, they may delay funding we expect to receive on contracts we are already performing. Any such delays would likely result in new business initiatives being delayed or cancelled and a reduction in our backlog, and could have a material adverse effect on our revenue and operating results.

Risks Related to Our Common Stock and This Offering

Booz Allen Holding is a holding company with no operations of its own that depends on its subsidiaries for cash.

The operations of Booz Allen Holding are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. We do not currently expect to declare or pay dividends on our Class A common stock for the foreseeable future; however, to the extent that we determine in the future to pay dividends on our Class A common stock, none of our subsidiaries will be obligated to make funds available to us for the payment of dividends. Further, the Credit Facilities significantly restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

Our principal stockholder could exert significant influence over our company.

As of March 31, 2010, Carlyle, through Coinvest, owned in the aggregate shares representing 81% of our outstanding voting power. After completion of this offering, Carlyle will own in the aggregate shares representing % of our outstanding voting power, or % if the underwriters exercise their over-allotment option in full. As a result, Carlyle will have a controlling influence over all matters presented to our stockholders for approval, including election and removal of our directors and change of control transactions.

In addition, Coinvest is a party to a stockholders agreement, or the Stockholders Agreement, pursuant to which Carlyle currently has the ability to cause the election of a majority of our Board. Under the terms of the Amended and Restated Stockholders Agreement to be entered into in connection with this offering, Carlyle will continue to have the

right to nominate a majority of the members of our Board and to exercise control over matters requiring stockholder approval and our policy and affairs, for example, by being able to direct the

use of proceeds received from this and future security offerings. See **Certain Relationships and Related Party Transactions** **Stockholders Agreement**. In addition, following the consummation of this offering, we will be a controlled company within the meaning of applicable stock exchange rules and, as a result, currently intend to rely on exemptions from certain corporate governance requirements. The concentrated holdings of funds affiliated with Carlyle, certain provisions of the Amended and Restated Stockholders Agreement to be entered into prior to the completion of this offering and the presence of Carlyle's nominees on our Board may result in a delay or the deterrence of possible changes in control of our company, which may reduce the market price of our common stock. The interests of Carlyle may not always coincide with the interests of the other holders of our common stock.

Carlyle is in the business of making investments in companies, and may from time to time in the future acquire controlling interests in businesses engaged in management and technology consulting that complement or directly or indirectly compete with certain portions of our business. If Carlyle pursues such acquisitions in our industry, those acquisition opportunities may not be available to us. In addition, to the extent that Carlyle acquires a controlling interest in one or more companies that provide services or products to the U.S. government, our affiliation with any such company through Carlyle could create OCI and similar issues for us under federal procurement laws and regulations. See **Risk Related to Our Business** Recent efforts by the U.S. government to revise its organizational conflicts of interest rules could adversely affect our results of operations. We urge you to read the discussions under the headings **Certain Relationships and Related Party Transactions** and **Security Ownership of Certain Beneficial Owners and Management** for further information about the equity interests held by Carlyle and members of our senior management.

Investors in this offering will experience immediate dilution in net tangible book value per share.

The initial public offering price per share will significantly exceed the net tangible book value per share of our common stock. As a result, investors in this offering will experience immediate dilution of \$ _____ in net tangible book value per share based on an initial public offering price of \$ _____, which is the midpoint of the price range set forth on the cover page of this prospectus. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares. Investors in this offering may also experience additional dilution as a result of shares of Class A common stock that may be issued in connection with a future acquisition. Accordingly, in the event that we are liquidated, investors may not receive the full amount or any of their investment.

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

Our financial results may vary significantly from period to period in the future as a result of many external factors that are outside of our control. Factors that may affect our financial results include those listed in this **Risk Factors** section and others such as:

any cause of reduction or delay in U.S. government funding (e.g., changes in presidential administrations that delay timing of procurements);

fluctuations in revenue earned on existing contracts;

commencement, completion or termination of contracts during a particular period;

a potential decline in our overall profit margins if our other direct costs and subcontract revenue grow at a faster rate than labor-related revenue;

strategic decisions by us or our competitors, such as changes to business strategy, strategic investments, acquisitions, divestitures, spin offs and joint ventures;

a change in our contract mix to less profitable contracts;

changes in policy or budgetary measures that adversely affect U.S. government contracts in general;

variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements, which are agreements that fulfill repetitive needs under GSA schedules, and ID/IQ contracts;

changes in demand for our services and solutions;

fluctuations in our staff utilization rates;

seasonality associated with the U.S. government's fiscal year;

an inability to utilize existing or future tax benefits, including those related to our NOLs or stock-based compensation expense, for any reason, including a change in law;

alterations to contract requirements; and

adverse judgments or settlements in legal disputes.

A decline in the price of our Class A common stock due to any one or more of these factors could cause the value of your investment to decline.

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

Indebtedness under our Senior Credit Facilities is secured by a lien on substantially all of our assets. Accordingly, if an event of default were to occur under our Senior Credit Facilities, the senior secured lenders under such facilities would have a prior right to our assets, to the exclusion of our general creditors in the event of our bankruptcy, insolvency, liquidation or reorganization. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our Senior Credit Facilities), resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Only after satisfying the claims of our unsecured creditors and our subsidiaries' unsecured creditors would any amount be available for our equity holders. The pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility. As of March 31, 2010, we had \$1.0 billion of indebtedness outstanding under our Senior Credit Facilities and had \$222.4 million of capacity available for additional borrowings under the revolving portion of our Senior Credit Facilities (excluding the \$21.3 million commitment by the successor entity to Lehman Brothers Commercial Bank). In addition, we may, at our option and subject to certain closing conditions including pro forma compliance with financial covenants, increase the Senior Credit Facilities without the consent of any person other than the institutions agreeing to provide all or any portion of such increase, in an amount not to exceed \$100.0 million. See "Description of Certain Indebtedness—Senior Credit Facilities—Guarantees; Security."

Our Class A common stock has no prior public market, and our stock price could be volatile and could decline after this offering.

Before this offering, our Class A common stock had no public market. We will negotiate the initial public offering price per share with the representatives of the underwriters and, therefore, that price may not be indicative of the

market price of our common stock after the offering. We cannot assure you that an active public market for our Class A common stock will develop after this offering or if it does develop, it may not be sustained. In the absence of a public trading market, you may not be able to liquidate your investment in our common stock. In addition, the market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

quarterly variations in our operating results;

changes in contract revenue and earnings estimates or publication of research reports by analysts;

speculation in the press or investment community;

investor perception of us and our industry;

strategic actions by us or our competitors, such as significant contracts, acquisitions or restructurings;

actions by institutional stockholders or other large stockholders, including future sales;

our relationship with U.S. government agencies;

changes in U.S. government spending;

changes in accounting principles; and

general economic market conditions.

In particular, we cannot assure you that you will be able to resell your shares at or above the initial public offering price. The stock markets have experienced extreme volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A common stock. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been instituted against the company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management's attention and resources, which would harm our business, operating results and financial condition.

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

As a private company, we have not been subject to the requirements of the Sarbanes-Oxley Act of 2002. As a public company, the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission, or the SEC, as well as applicable stock exchange rules, will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations will require us to devote significant management time and will place significant additional demands on our finance and accounting staff and on our financial, accounting and information systems. We expect to hire additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increased auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees, listing fees, as well as other expenses.

In particular, upon completion of this offering, the Sarbanes-Oxley Act of 2002 will require us to document and test the effectiveness of our internal control over financial reporting in accordance with an established internal control framework, and to report on our conclusions as to the effectiveness of our internal controls. It will also require an independent registered public accounting firm to test our internal control over financial reporting and report on the effectiveness of such controls for fiscal 2012 and subsequent years. In addition, upon completion of this offering, we will be required under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to maintain disclosure controls and procedures and internal control over financial reporting. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to

fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting as of March 31, 2012 and in future periods, investors could lose confidence in the reliability of our financial statements. This could result in a decrease in the value of our common stock. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, the exchange on which our Class A common stock is listed, or other regulatory authorities.

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

We have, and intend to include, effective as of the consummation of the offering, a number of provisions in our certificate of incorporation and bylaws that may have the effect of delaying, deterring, preventing or rendering more difficult a change in control of Booz Allen Holding that our stockholders might consider in their best interests. These provisions include:

establishment of a classified Board, with staggered terms;

granting to the Board the sole power to set the number of directors and to fill any vacancy on the Board;

limitations on the ability of stockholders to remove directors if a group, as defined under Section 13(d)(3) of the Exchange Act, ceases to own more than 50% of our voting common stock;

granting to the Board the ability to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the Board;

a prohibition on stockholders from calling special meetings of stockholders;

the establishment of advance notice requirements for stockholder proposals and nominations for election to the Board at stockholder meetings;

requiring approval of two-thirds of stockholders to amend the bylaws; and

prohibiting our stockholders from acting by written consent if a group ceases to own more than 50% of our voting common stock.

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

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

See Description of Capital Stock for additional information on the anti-takeover measures applicable to us.

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

Immediately following this offering, Carlyle will own shares of our Class A common stock, or % of our outstanding Class A common stock. If the underwriters exercise their overallotment option in full, Carlyle will own % of our outstanding Class A common stock. If Carlyle sells, or the market perceives that Carlyle intends to

sell, a substantial portion of its beneficial ownership interest in us in the public market, the market price of our Class A common stock could decline significantly. The sales also could make it more difficult for us to sell equity or equity-related securities at a time and price that we deem appropriate.

After this offering, shares of our Class A common stock will be outstanding. Of these shares, shares of our Class A common stock sold in this offering will be freely tradable, without restriction, in the public market unless purchased by our affiliates (as that term is defined by Rule 144 under the Securities Act of 1933, or Securities Act) and all of the remaining shares of Class A common stock, as well as

outstanding shares of our Class B non-voting common stock, Class C restricted common stock and Class E special voting common stock, subject to certain exceptions, will be subject to a 180-day lock-up by virtue of either contractual lock-up agreements or pursuant to the terms of the Amended and Restated Stockholders Agreement. Morgan Stanley & Co. Incorporated and Barclays Capital Inc. may, in their discretion, permit our directors, officers and current stockholders who are subject to these lock-ups to sell shares prior to the expiration of the 180-day lock-up period. See Shares of Common Stock Eligible for Future Sale Lock-Up Agreements. After the lock-up agreements pertaining to this offering expire, up to an additional shares of our Class A common stock will be eligible for sale in the public market, all of which are held by directors, executive officers and other affiliates and will be subject to volume and holding period limitations under Rule 144 under the Securities Act. The remaining shares of Class A common stock outstanding will be restricted securities within the meaning of Rule 144 under the Securities Act, but will be eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144 or pursuant to an exemption from registration under Rule 701 under the Securities Act. After the lock-up agreements relating to this offering expire, shares of our Class A common stock will be issuable upon (1) transfer of our Class B non-voting common stock and Class C restricted common stock and (2) the exercise of outstanding stock options relating to our outstanding Class E special voting common stock. In addition, the shares of our Class A common stock underlying options that are either subject to the terms of our equity compensation plans or reserved for future issuance under our equity compensation plans will become eligible for sale in the public market to the extent permitted by the provisions of various option agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act to the extent such shares are not otherwise registered for sale under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our common stock could decline substantially. For additional information, see Shares of Common Stock Eligible for Future Sale.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, could, should, expect, intends, plans, anticipates, believes, estimates, predicts, potential, continue, or the negative of these terms and 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:

- any issue that compromises our relationships with the U.S. government or damages our professional reputation;
- changes in U.S. government spending and mission priorities that shift expenditures away from agencies or programs that we support;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- failure to comply with numerous laws and regulations;
- our ability to compete effectively in the competitive bidding process;
- the loss of GSA schedules or our position as prime contractor on GWACs;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time and resources for our contracts;
- our ability to generate revenue under certain of our contracts and our ability to realize the full value of our backlog;
- changes in estimates used in recognizing revenue;
- any inability to attract, train or retain employees with the requisite skills, experience and security clearances;
- an inability to hire enough employees to service our clients under existing contracts;
- an inability to effectively utilize our employees and professionals;
- failure by us or our employees to obtain and maintain necessary security clearances;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors;
- increased competition from other companies in our industry;

failure to maintain strong relationships with other contractors;

inherent uncertainties and potential adverse developments in legal proceedings, including litigation, audits, reviews and investigations, which may result in materially adverse judgments, settlements or other unfavorable outcomes;

internal system or service failures and security breaches;

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 OCI issues;

an inability to utilize existing or future tax benefits, including those related to our NOLs and stock-based compensation expense, for any reason, including a change in law;

variable purchasing patterns under U.S. government GSA schedules, blanket purchase agreements and ID/IQ contracts; and

other risks and factors listed under **Risk Factors** and elsewhere in this prospectus.

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

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our Class A common stock being offered by us pursuant to this prospectus at an assumed initial offering price of \$ per share, the midpoint of the range set forth on the cover page of this prospectus, will be approximately \$ million, after deducting estimated underwriting discounts, commissions and estimated offering expenses payable by us.

We intend to use the net proceeds we receive from the sale of our Class A common stock to repay \$ million of the Mezzanine Credit Facility and pay a \$ prepayment penalty related to our repayment under the Mezzanine Credit Facility. The Mezzanine Credit Facility was entered into in connection with the Acquisition and amended in connection with the Recapitalization Transaction. The Mezzanine Credit Facility consists of a term loan facility in an aggregate principal amount of up to \$550.0 million that matures on July 31, 2016. On July 31, 2008, we borrowed \$550.0 million under the Mezzanine Credit Facility. As of March 31, 2010, borrowings under the Mezzanine Credit Facility bore an interest rate at 13%. Certain of the underwriters of this offering or their affiliates are lenders under the Mezzanine Credit Facility. Accordingly, certain of the underwriters will receive net proceeds from this offering in connection with the repayment of the Mezzanine Credit Facility. See Underwriting.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) the net proceeds to us from this offering by \$, assuming the number of shares offered by us remains the same and after deducting estimated underwriting discounts and commission and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 increase (decrease) in the assumed offering price of \$ per share, would increase (decrease) net proceeds to us from this offering by \$ million, after deducting estimated underwriting discounts and commission and estimated offering expenses payable by us. The information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

DIVIDEND POLICY

We do not currently expect to declare or pay dividends on our Class A common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Our ability to pay dividends to holders of our Class A common stock is limited by covenants in the credit agreements governing our Senior Credit Facilities and our Mezzanine Credit Facility. Any future determination to pay dividends on our Class A common stock is subject to the discretion of our Board and will depend upon various factors then existing, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable laws and our contracts, as well as economic and other factors deemed relevant by our Board. To the extent that the Board declares any future dividends, holders of Class A common stock, Class B non-voting common stock, and Class C restricted common stock will share the dividend payment equally.

On July 27, 2009, we declared a special cash dividend on all issued and outstanding shares of Class A common stock, Class B non-voting common stock, and Class C restricted common stock in the aggregate amount of \$114.9 million payable to holders of record as of July 29, 2009. On December 7, 2009, we declared another special cash dividend on all issued and outstanding shares to the same equity classes described above in the aggregate amount of \$497.5 million payable to the holders of record as of December 8, 2009. Of these amounts, approximately \$548.0 million was paid to Coinvest according to its ownership of our Class A common stock. See [The Acquisition and Recapitalization Transaction](#). We do not currently intend to declare or pay any similar special dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization on a consolidated basis as of March 31, 2010:

on an actual basis; and

on a pro forma as adjusted basis to give effect to the sale by us of shares of our Class A common stock in this offering at the initial public offering price of \$ per share (and after deducting estimated underwriting discounts and commissions and offering expenses payable by us) and the use of the net proceeds therefrom as described in Use of Proceeds.

The table below excludes the Class D merger rolling common stock, par value \$0.01, and the Class F non-voting restricted common stock, par value \$0.01, each of which had 600,000 authorized shares and no shares issued and outstanding as of March 31, 2010. Our amended and restated certificate of incorporation, which will become effective prior to the completion of this offering, will eliminate the Class D merger rolling common stock and the Class F non-voting restricted common stock.

You should read this table in conjunction with the sections of this prospectus entitled Selected Historical Consolidated Financial and Other Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Description of Certain Indebtedness and our financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2010	
	Actual	Pro Forma as Adjusted
	(In thousands, except share and per share amounts)	
Cash and cash equivalents	\$ 307,835	\$
Debt(1)	\$ 1,626,782	\$
Stockholders' equity:		
Class A common stock, par value \$0.01 per share: (i) Actual: 16,000,000 shares authorized and 10,292,290 shares issued and outstanding and (ii) Pro forma as adjusted: shares authorized and shares issued and outstanding	\$ 103	\$
Class B non-voting common stock, par value \$0.01 per share: (i) Actual: 16,000,000 shares authorized and 235,020 shares issued and outstanding and (ii) Pro forma as adjusted: shares authorized and shares issued and outstanding		2
Class C restricted common stock, par value \$0.01 per share: (i) Actual: 600,000 shares authorized and 202,827 shares issued and outstanding and (ii) Pro forma as adjusted: shares authorized and shares issued and outstanding		2
Class E special voting common stock, par value \$0.03 per share: (i) Actual: 2,500,000 shares authorized and 1,334,558 shares issued and outstanding and (ii) Pro forma as adjusted: shares authorized and shares issued and outstanding		40

Edgar Filing: Booz Allen Hamilton Holding Corp - Form S-1

Preferred Stock, par value \$0.01 per share: (i) Actual: 600,000 shares authorized and no shares issued and outstanding and (ii) Pro forma as adjusted: shares authorized and no shares issued and outstanding			
Additional paid-in capital(2)		526,618	
Accumulated deficit		(13,364)	
Accumulated other comprehensive income (loss)		(3,818)	
Total stockholders' equity(2)		\$ 509,583	\$
Total capitalization(2)		\$ 2,136,365	\$

- (1) Debt reflects (i) long-term debt, net of current portion of \$21.9 million and (ii) the Deferred Payment Obligation.

Long-term debt, net of current portion includes borrowings under the Senior Credit Facilities and the Mezzanine Credit Facility. For a description of these facilities, see Description of Certain Indebtedness. Loans under the Senior Credit Facilities and the Mezzanine Credit Facility were issued with original issue discount and are presented net of unamortized discount of \$19.2 million as of March 31, 2010.

The \$80.0 million Deferred Payment Obligation is comprised of a \$17.6 million Deferred Payment Obligation balance as of March 31, 2010, and contingent tax claims in the amount of \$62.4 million related to the Deferred Payment Obligation, but does not include \$2.4 million of accrued interest related to the Deferred Payment Obligation. See The Acquisition and Recapitalization Transaction The Acquisition The Merger.

- (2) A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) each of additional paid-in capital, total stockholders equity and total capitalization by \$, assuming the number of shares offered by us remains the same and after deducting estimated underwriting discounts and commission and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 increase (decrease) in the assumed offering price of \$ per share, would increase (decrease) the as adjusted amount of each of additional paid-in capital, total stockholders equity and total capitalization by approximately \$ million. The as adjusted information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

DILUTION

If you invest in our Class A common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the adjusted net tangible book value per share of our Class A common stock, Class B non-voting common stock and Class C restricted common stock immediately after this offering.

Net tangible book value (deficit) per share represents the amount of total book value of our total tangible assets less our total liabilities divided by the number of shares of our Class A common stock then outstanding. The net tangible book value of our Class A common stock, Class B non-voting common stock and Class C restricted common stock as of March 31, 2010 was a deficit of \$ million, or approximately \$ per share.

After giving effect to the issuance and sale of shares of our Class A common stock offered by us at the initial public offering price of \$, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value of our Class A common stock, Class B non-voting common stock and Class C restricted common stock after this offering would have been approximately \$ million, or approximately \$ per share. This represents an immediate increase in net tangible book value (deficit) of approximately \$ per share to existing stockholders and an immediate dilution of approximately \$ per share to new investors purchasing shares in this offering.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the range set forth on the cover of this prospectus, would increase (decrease) our adjusted net tangible book value after this offering by \$ and increase (decrease) the dilution to new investors purchasing shares in this offering by \$ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 increase in the assumed offering price of \$ per share, would increase the dilution to new investors purchasing shares in this offering by \$ per share. Similarly, each decrease of 1.0 million shares in the number of shares offered by us, together with a concomitant \$1.00 decrease in the assumed offering price of \$ per share, would decrease the dilution to new investors purchasing shares in this offering by \$ per share. The information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

The following table illustrates this per share dilution:

	Per Share
Initial public offering price	
Net tangible book value (deficit) as of March 31, 2010	
Increase attributable to this offering	
Pro forma net tangible book value (deficit), as adjusted to give effect to this offering	
Dilution in pro forma net tangible book value to new investors in this offering	

The following table summarizes, as of March 31, 2010, the total number of shares of Class A common stock purchased from us, the total consideration paid to us, and the weighted average price per share paid to us, by our existing stockholders and by the investors purchasing shares of Class A common stock in this offering at our assumed initial public offering price of \$ per share, which is the midpoint of the range set forth on the cover page of this prospectus.

	Shares Purchased		Total Consideration		Weighted Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%		%	
New investors					
Total		100%		100%	

(In thousands, other than percentages)

The foregoing discussion and tables give effect to the issuance of our Class A common stock upon exercise of all outstanding stock options held by directors and officers as of , 2010. As of March 31, 2010, there were outstanding stock options granted under our Officers' Rollover Stock Plan and our Equity Incentive Plan to purchase, subject to vesting, up to shares and shares, respectively, of our Class A common stock at a weighted average exercise price of per share and per share, respectively.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities could result in further dilution to our stockholders.

THE ACQUISITION AND RECAPITALIZATION TRANSACTION

The Acquisition

On July 31, 2008, or the Closing Date, Booz Allen Hamilton completed the separation of its U.S. government consulting business from its commercial and international consulting business, the spin off of the commercial and international business, and the sale of 100% of its outstanding common stock to Booz Allen Holding, which was majority owned by Carlyle. Our company is a corporation that is the successor to the government business of Booz Allen Hamilton following the separation.

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

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

The Merger

Booz Allen Investor and its affiliates paid the purchase price (subject to adjustments for transaction expenses, indebtedness, fluctuations in working capital and other items) in consideration for the government business through current and deferred cash payments, stock and options in Booz Allen Holding exchanged for Booz Allen Hamilton stock and options, and the assumption or payment by Booz Allen Investor of certain indebtedness.

The Booz Allen Hamilton partners working in the government business, or the government partners, were required to exchange a portion of their stock and options in Booz Allen Hamilton for stock and options in Booz Allen Holding, and the commercial partners were able to exchange a portion of their stock in Booz Allen Hamilton for non-voting stock in Booz Allen Holding. These exchanges were completed on July 30, 2008, and as a result, the government partners and commercial partners held 19% and 2%, respectively, of the common stock of Booz Allen Holding on the Closing Date, with Carlyle, through Coinvest, beneficially owning the remainder.

All of the remaining stock of Booz Allen Hamilton outstanding immediately prior to the merger (other than the stock of Booz Allen Hamilton held by Booz Allen Holding as a result of the exchanges described above) was converted into the right to receive the cash portion of the purchase price. Subject to the escrows and the deferred payment described below, the cash portion of the purchase price was distributed to the government partners and the commercial partners

shortly after the merger.

The payment of \$158.0 million of the cash consideration to the government partners and the commercial partners was structured as a deferred payment obligation of Booz Allen Investor to such partners, or the Deferred Payment Obligation, and Booz Allen Investor is obligated to pay this amount (plus interest at a rate

of 5% per six months) to the partners, on a pro rata basis, 8 1/2 years after the consummation of the merger or, in certain circumstances, earlier. A total of \$78.0 million of the Deferred Payment Obligation, plus \$22.4 million of accrued interest, was repaid on December 11, 2009. See Recapitalization Transaction. Currently, up to \$80.0 million of the Deferred Payment Obligation may be reduced to offset any claims under the indemnification provisions of the Merger Agreement described below.

On the Closing Date, \$90.0 million of the cash consideration was deposited into escrow to fund certain purchase price adjustments, future indemnification claims under the Merger Agreement and for certain other adjustments. As of March 31, 2010 of the \$90.0 million placed in escrow, approximately \$38.3 million, which includes accrued interest, remains in escrow to cover indemnification claims relating to losses that may be incurred from outstanding litigation associated with the merger and certain outstanding pre-closing tax claims and certain claims that may arise with respect to certain pre-closing matters including taxes, government contracts or the spin off and related transactions and liabilities.

Financing of the Merger

To fund the aggregate consideration, Booz Allen Investor and Booz Allen Hamilton entered into a series of financing transactions, which included:

entry into the Senior Credit Facilities, and the incurrence of \$125.0 million of term loans under the Tranche A term facility of the Senior Credit Facilities and \$585.0 million under the Tranche B term facility under the Senior Credit Facilities;

entry into the Mezzanine Credit Facility, and the incurrence of \$550.0 million of term loans thereunder; and

an equity contribution from Coinvest of approximately \$956.5 million.

Indemnification Under the Merger Agreement

From and after the Closing Date, Booz Allen Holding and its subsidiaries (including Booz Allen Hamilton) are indemnified under the Merger Agreement against losses arising from (a) breach of certain representations and warranties regarding Booz Allen Hamilton's capitalization, corporate authorization, financial statements, internal accounting controls, employee benefits, and DCAA audits and similar government contracts investigations and claims, (b) the failure of the sellers to perform certain covenants and agreements in the Merger Agreement and the Spin Off Agreement, (c) the failure to assume and satisfy amounts owed under the Spin Off Agreement or certain ancillary agreements if and to the extent that Spin Co. is insolvent or bankrupt, and (d) any restructuring costs of Booz Allen Hamilton related to the termination of transition services to Spin Co. after the Closing Date. In addition, the Merger Agreement provides Booz Allen Holding and its subsidiaries (including Booz Allen Hamilton) with indemnification for (i) certain pre-closing taxes and (ii) the amount of certain compensation deductions resulting from any Booz Allen Hamilton options exercised after the signing of the Merger Agreement and prior to July 30, 2008. These indemnification rights are subject to the various limitations, including time and dollar amounts, and the sole recourse of Booz Allen Holding and its subsidiaries with respect to any indemnification amounts owed to them under the Merger Agreement are the escrow funds available for indemnification and offset against Booz Allen Investor's obligation to pay a portion of the Deferred Payment Obligation.

Spin Off Agreement

In addition to governing the split of the commercial and international business from the government business, the Spin Off Agreement sets forth certain restrictions and guidelines for the interaction and operation of the government

business and the commercial and international business after the Closing Date, including,

for a period of three years following the Closing Date (subject to certain exceptions), Spin Co. agreed that it and its subsidiaries would not (i) provide, sell, or offer to sell or advertise certain types of consulting services provided by the government business, (ii) assist, advise, engage or participate in providing such services to certain scheduled competitors of Booz Allen Hamilton, (iii) have certain

interests in such competitors, (iv) knowingly permit its names to be used by such competitors in connection with providing any services other than permitted services or (v) provide any services of any type to a scheduled list of direct competitors or their subsidiaries or successors;

for a period of three years following the Closing Date (subject to certain exceptions), Booz Allen Hamilton agreed that it and its subsidiaries would not (i) provide, sell, or offer to sell or advertise any services other than certain types of consulting services (including cyber-security services) provided by the government business, (ii) assist or advise certain scheduled competitors of Spin Co. in providing services other than such consulting services provided by the government business, (iii) have certain interests in such competitors, or (iv) knowingly permit its names to be used by such competitors in connection with providing any services other than such consulting services provided by the government business;

for a period of three years following the Closing Date, Booz Allen Hamilton and Spin Co. agreed not to solicit or attempt to solicit any client or business relation of the other party to cease or adversely change their business relationship with the other party or its subsidiaries;

for a period of three years following the Closing Date, Booz Allen Hamilton and Spin Co. agreed not to hire or attempt to hire any person who was at Closing an officer, director, employee, consultant or agent of the other party (subject to certain exceptions);

until the earlier of the fifth anniversary of the Closing Date or a change in control of the other party, Booz Allen Hamilton and Spin Co. agreed that they and their subsidiaries would not, in the case of Spin Co., hire or attempt to hire any person who was or is a stockholder of Booz Allen Hamilton (other than a commercial partner); and in the case of Booz Allen Hamilton, hire or attempt to hire any person who was, on or prior to the Closing Date, a commercial partner, or is then, a stockholder of Spin Co. (subject to certain exceptions); and

for a period of three years following the Closing Date, Spin Co. agreed that it and its subsidiaries would not directly or indirectly acquire a competitor of Booz Allen Hamilton.

Indemnification under the Spin Off Agreement

Under the Spin Off Agreement, Booz Allen Hamilton has agreed to indemnify Spin Co. from all losses arising out of breaches of the Spin Off Agreement or certain related agreements, certain employee benefit matters, and for liabilities and obligations arising out of the government business, and Spin Co. has agreed to indemnify Booz Allen Hamilton from all losses arising out of breaches of the Spin Off Agreement or certain related agreements, certain employee benefit matters, and for liabilities and obligations arising out of the commercial and international business. Spin Co. has also agreed to indemnify Booz Allen Hamilton for increases in pre-closing taxes if a majority of Spin Co.'s shares or a majority of its assets are sold to a third party within three years of the Closing Date at a price in excess of the allocable portion of the agreed-upon fair market value of the Spin Co. shares and a taxing authority successfully asserts that the fair market value of such shares at the time of the spin off was in excess of the agreed-upon fair market value. Furthermore, each of Spin Co. and Booz Allen Hamilton has generally agreed to indemnify the other from the recapture of dual consolidated losses which result from an action of the indemnifying party or its affiliates.

Recapitalization Transaction

On December 11, 2009, Booz Allen Investor and Booz Allen Hamilton entered into a series of amendments to the credit agreements governing the Senior Credit Facilities and Mezzanine Credit Facility in connection with the declaration of dividends by Booz Allen Hamilton, Booz Allen Investor and Booz Allen Holding and the partial repayment of the Deferred Payment Obligation. The credit agreement governing the Senior Credit Facilities was

amended to, among other things, add the Tranche C term facility under the Senior Credit Facilities, increase commitments under the senior revolving facility under the Senior Credit Facilities from \$100.0 million to \$245.0 million, and permit the payment of the dividends. The credit agreement governing the Mezzanine Credit Facility was amended to, among other things, permit the payment of the

dividends, the incurrence of loans under the Tranche C term facility and the increase in commitments under the senior revolving facility. Using cash on hand and \$341.3 million in net proceeds from the increased term loan facility, Booz Allen Hamilton paid a dividend of \$650.0 million on its common stock, all of which was paid to Booz Allen Investor, its sole stockholder. Booz Allen Investor in turn used the proceeds of the dividend (i) to repay approximately \$100.4 million of the Deferred Payment Obligation, including \$22.4 million in accrued interest, in accordance with the terms of the Merger Agreement and (ii) to pay a dividend of approximately \$549.6 million on its common stock, all of which was paid to Booz Allen Holding, its sole stockholder. Booz Allen Holding in turn declared a dividend of \$497.5 million payable on its outstanding Class A common stock, Class B non-voting common stock and Class C restricted common stock, approximately \$444.1 million of which was paid to Coinvest and the remainder of which was paid to the other stockholders of Booz Allen Holding. The aforementioned transactions are referred to in this prospectus as the Recapitalization Transaction. As required by the Officers Rollover Stock Plan and the Equity Incentive Plan, the exercise price per share of each outstanding option was reduced in an amount equal to the reduction in the value of the common stock as a result of the dividend. Because the reduction in share value exceeded the exercise price for certain of the options granted under the Officers Rollover Stock Plan, the exercise price for those options was reduced to the par value of the shares issuable on exercise, and the holders became entitled to receive on the option's fixed exercise date a cash payment equal to the excess of the reduction in share value as a result of the dividend over the reduction in exercise price, subject to vesting of the relation options. As of March 31, 2010, the total obligations for these cash payments was \$54.4 million.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The selected consolidated statements of operations data for fiscal 2008, the four months ended July 31, 2008, the eight months ended March 31, 2009 and fiscal 2010, and the selected consolidated balance sheet data as of March 31, 2009 and 2010 have been derived from our audited financial statements included elsewhere in this prospectus. The consolidated balance sheet data as of March 31, 2008 has been derived from audited financial statements which are not included in this prospectus. The selected consolidated statements of operations data for fiscal 2006 and 2007 and the selected consolidated balance sheet data as of March 31, 2006 and 2007 have been derived from our unaudited financial statements. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of our management, include all adjustments necessary for a fair presentation of the information set forth herein. Our historical results are not necessarily indicative of the results that may be expected for any future period. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

As discussed in more detail under The Acquisition and Recapitalization Transaction, Booz Allen Hamilton was indirectly acquired by Carlyle on July 31, 2008. Immediately prior to the Acquisition, Booz Allen Hamilton spun off its commercial and international business and retained its U.S. government business. The accompanying consolidated financial statements are presented for (1) the Predecessor, which are the financial statements of Booz Allen Hamilton and its consolidated subsidiaries for the period preceding the Acquisition, and (2) the Company, which are the financial statements of Booz Allen Holding and its consolidated subsidiaries for the period following the Acquisition. Prior to the Acquisition, Booz Allen Hamilton's U.S. government business is presented as the continuing operations of the Predecessor. The Predecessor's consolidated financial statements have been presented for the twelve months ended March 31, 2008 and the four months ended July 31, 2008. The operating results of the commercial and international business that was spun off by Booz Allen Hamilton effective July 31, 2008 have been presented as discontinued operations in the Predecessor consolidated financial statements and the related notes included in this prospectus. The Company's consolidated financial statements for periods subsequent to the Acquisition have been presented from August 1, 2008 through March 31, 2009 and for the twelve months ended March 31, 2010. The Predecessor's financial statements may not necessarily be indicative of the cost structure or results of operations that would have existed if the U.S. government business operated as a stand-alone, independent business. The Acquisition was accounted for as a business combination, which resulted in a new basis of accounting. The Predecessor's and the Company's financial statements are not comparable as a result of applying a new basis of accounting. See Notes 1, 4, and 24 to our consolidated financial statements for additional information regarding the accounting treatment of the Acquisition and discontinued operations.

Additionally, the results of operations and balance sheet data for fiscal 2006, fiscal 2007, fiscal 2008, the four months ended July 31, 2008, and the eight months ended March 31, 2009 and as of March 31, 2006, 2007 and 2008 are presented as adjusted to reflect the change in accounting principle related to our revenue recognition policies as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates and Policies.

Included in the table below are unaudited pro forma results of operations for the twelve months ended March 31, 2009, or pro forma 2009, assuming the Acquisition had been completed as of April 1, 2008. The unaudited pro forma condensed consolidated results of operations for fiscal 2009 are based on our historical audited consolidated financial statements included elsewhere in this prospectus, adjusted to give pro forma effect to the Acquisition. The unaudited pro forma condensed consolidated results of operations for fiscal 2009 are presented because management believes it provides a meaningful comparison of operating results enabling twelve months of fiscal 2009, adjusted for the impact

of the Acquisition, to be compared with fiscal 2010. The unaudited pro forma condensed consolidated financial statements are for informational purposes only and do not purport to represent what our actual results of operations would have been if the Acquisition had been completed as of April 1, 2008 or that may be achieved in the future. The unaudited pro forma condensed consolidated financial information and the accompanying notes should be read in conjunction with our historical audited consolidated financial statements and related notes appearing elsewhere in this prospectus

and other financial information contained in Risk Factors, The Acquisition and Recapitalization Transaction, and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations for a description of the pro forma adjustments attributable to the Acquisition.

	Predecessor			The Company Pro Forma			
	Fiscal Year Ended March 31, 2006 (Unaudited) (As adjusted)	Fiscal Year Ended March 31, 2007 (Unaudited) (As adjusted)	Fiscal Year Ended March 31, 2008 (As adjusted)	Four Months Ended July 31, 2008 (As adjusted)	Eight Months Ended March 31, 2009 (As adjusted)	Fiscal Year Ended March 31, 2009(1)	Fiscal Year Ended March 31, 2010
(In thousands, except share and per share data)							
Consolidated Statement of Operations Data:							
Revenue	\$ 2,902,513	\$ 3,209,211	\$ 3,625,055	\$ 1,409,943	\$ 2,941,275	\$ 4,351,218	\$ 5,122,633
Operating costs and expenses:							
Compensation and other costs	1,572,817	1,813,295	2,028,848	722,986	1,566,763	2,296,335	2,654,143
Billable expenses	820,951	815,421	935,459	401,387	756,933	1,158,320	1,361,229
General and administrative expenses	409,576	421,921	474,188	726,929	505,226	723,827	811,944
Depreciation and amortization	22,284	27,879	33,079	11,930	79,665	106,335	95,763
Total operating costs and expenses	2,825,628	3,078,516	3,471,574	1,863,232	2,908,587	4,284,817	4,923,079
Operating income (loss)	76,885	130,695	153,481	(453,289)	32,688	66,401	199,554
Interest income	1,995	2,955	2,442	734	4,578	5,312	1,466
Interest expense	(966)	(1,481)	(2,319)	(1,044)	(98,068)	(146,803)	(150,734)
Other income (expense), net	392	146	(1,931)	(54)	(128)	(182)	(1,292)
Income (loss) from continuing operations and before income taxes	78,306	132,315	151,673	(453,653)	(60,930)	(75,272)	48,994
	39,399	55,921	62,693	(56,109)	(22,147)	(25,831)	23,575

Income tax (benefit) expense from continuing operations									
Income (loss) from continuing operations	38,907	76,394	88,980	(397,544)	\$ (38,783)	\$ (49,441)		25,419	
Loss from discontinued operations	(30,409)	(57,611)	(71,106)	(848,371)					
Net income (loss)	\$ 8,498	\$ 18,783	\$ 17,874	\$ (1,245,915)				\$ 25,419	
Earnings per share from continuing operations(2)(3):									
Basic	\$	\$	\$	\$	\$			\$	
Diluted									
Earnings (loss) per share(2)(3):									
Basic	\$	\$	\$	\$	\$			\$	
Diluted									
Weighted average common shares outstanding(2)(3):									
Basic									
Diluted									
Cash dividends per share (unaudited)(3)	\$	\$	\$	\$	\$			\$	(4)

	Predecessor As of March 31,			The Company As of March 31,	
	2006 (Unaudited) (As adjusted)	2007 (Unaudited) (As adjusted)	2008 (As adjusted)	2009 (As adjusted)	2010
(In thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 31,233	\$ 3,272	\$ 7,123	\$ 420,902	\$ 307,835
Working capital	724,470	789,275	1,113,656	789,308	584,248
Total assets	1,422,983	1,482,453	1,891,375	3,182,249	3,062,223
Long-term debt, net of current portion				1,220,502	1,546,782
Stockholders' equity	271,090	272,068	313,065	1,060,343	509,583

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

	Four Months Ended	Eight Months Ended	Pro Forma Adjustments	Pro Forma Fiscal Year Ended March 31, 2009
	July 31, 2008 (As adjusted)	March 31, 2009 (As adjusted)		
(In thousands, except share and per share data)				
Consolidated Statement of Operations Data:				
Revenue	\$ 1,409,943	\$ 2,941,275		\$ 4,351,218
Operating costs and expenses:				
Compensation and other costs	722,986	1,566,763	\$ 6,586 (a)	2,296,335
Billable expenses	401,387	756,933		1,158,320
General and administrative expenses	726,929	505,226	(508,328)(b)	723,827
Depreciation and amortization	11,930	79,665	14,740 (c)	106,335
Total operating costs and expenses	1,863,232	2,908,587		4,284,817
Operating income (loss)	(453,289)	32,688		66,401
Interest income	734	4,578		5,312
Interest expense	(1,044)	(98,068)	(47,691)(d)	(146,803)
Other (expense), net	(54)	(128)		(182)

Edgar Filing: Booz Allen Hamilton Holding Corp - Form S-1

Income (loss) from continuing operations before income taxes	(453,653)	(60,930)		(75,272)
Income tax (benefit) expense from continuing operations	(56,109)	(22,147)	52,425 (e)	(25,831)
Net income (loss) from continuing operations	(397,544)	(38,783)		\$ (49,441)
Loss from discontinued operations, net of tax	(848,371)			
Net (loss)	\$ (1,245,915)	\$ (38,783)		

(a) Reflects additional stock-based compensation expense associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the Acquisition for \$6.6 million (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation).

(b) Consists of the following adjustments:

Increase to rent expense of \$1.8 million due to the elimination of the July 31, 2008 deferred rent liability in accordance with the accounting treatment of leases associated with the business combination;

Increase to management fees paid to Carlyle of \$0.3 million (see Note 19 to our consolidated financial statements for additional information regarding the management fees);

Additional stock-based compensation expense of \$13.4 million associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the Acquisition (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation);

Reversal of \$511.7 million for a one-time acceleration of stock rights and the fair value mark-up of redeemable common shares immediately prior to the acquisition; and

Reversal of certain related transaction costs of \$12.2 million.

(c) Reflects amortization expense of intangible assets established as part of purchase accounting and depreciation expense associated with the fair value of fixed assets associated with the Acquisition accounted for as a business combination for \$14.7 million.

(d) Consists of the following adjustments:

Reversal of interest expense of \$1.0 million recorded during the four months ended July 31, 2008 related to the Predecessor's previous debt outstanding prior to the Acquisition; and

Incurrence of additional interest expense of \$48.7 million associated with the new Senior Credit Facilities and Mezzanine Credit Facility established in conjunction with the Acquisition.

(e) Reflects tax effect of the cumulative pro forma adjustments.

(2) Basic earnings per share for the Company has been computed using the weighted average number of shares of Class A common stock, Class B non-voting common stock and Class C restricted common stock outstanding during the period. The Company's diluted earnings per share has been computed using the weighted average number of shares of Class A common stock, Class B non-voting common stock and Class C restricted common stock including the dilutive effect of outstanding common stock options and other stock-based awards. The weighted average number of Class E special voting common stock has not been included in the calculation of either basic earnings per share or diluted earnings per share due to the terms of such common stock.

Basic earnings per share for the Predecessor has been computed using the weighted average number of shares of Class A common stock outstanding during the period. The Predecessor's diluted earnings per share has been computed using the weighted average number of shares of Class A common stock including the dilutive effect of outstanding stock-based awards.

(3) Reflects a -for-1 split of our common stock to be effected prior to the completion of this offering.

(4) Reflects the payment of special dividends in the aggregate amount of \$114.9 million and \$497.5 million to holders of record of our Class A common stock, Class B non-voting common stock, and Class C restricted common stock as of July 29, 2009 and December 8, 2009, respectively.

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, liquidity and capital resources. You should read this discussion in conjunction with Selected Historical Consolidated Financial and Other Data, and our audited consolidated financial statements and the related notes beginning on page F-1 of this prospectus.

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 Risk Factors and Special Note Regarding Forward-Looking Statements. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our fiscal year ends March 31 and, unless otherwise noted, references to years or fiscal are for fiscal years ended March 31. References to pro forma 2009 in this discussion and analysis are to unaudited pro forma results for the twelve months ended March 31, 2009, assuming the Acquisition had been completed as of April 1, 2008. See Results of Operations.

Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. We are a well-known, trusted and long-term partner to our clients, who seek our expertise and objective advice to address their most important and complex problems. Leveraging our 95-year consulting heritage and a talent base of approximately 23,300 people, we deploy our deep domain knowledge, functional expertise and experience to help our clients achieve their objectives. We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and delivers enduring results for our clients. We have grown our revenue organically at an 18% CAGR over the 15-year period ended March 31, 2010, reaching \$5.1 billion in revenue in fiscal 2010.

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

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:

budgeting constraints increasing pressure on the U.S. government to control spending while pursuing numerous important policy initiatives, which may result in a slowdown in the growth rate of U.S. government spending in certain areas;

changes in the level and mix of U.S. government spending, such as the U.S. government's increased spending in recent years on homeland security, cyber, advanced technology analytics, intelligence and defense-related programs and healthcare;

increased insourcing by the U.S. government of work that was traditionally performed by outside contractors, including at the Department of Defense;

specific efficiency initiatives by the U.S. government such as the Base Realignment and Closure Program and efforts to rebalance the U.S. defense forces in accordance with the 2010 QDR;

U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis, which could have a negative impact on our ability to win certain contracts;

restrictions by the U.S. government on the ability of federal agencies to use Lead System Integrators in response to cost, schedule and performance problems with large defense acquisition programs where contractors were performing the Lead Systems Integrator role;

increasingly complex requirements of the Department of Defense and the U.S. Intelligence Community, including cyber-security, and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare;

increased competition from other government contractors and market entrants seeking to take advantage of the trends identified above; and

efforts by the U.S. government to address OCI and related issues and the impact of those efforts on us and our competitors.

Sources of Revenue

Substantially all of our revenue is derived from services provided under contracts and task orders with the U.S. government, primarily by our employees 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, which generally have been increasing among our key markets and service offerings. 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.

Contract Types

We generate revenue under the following three basic types of contracts: cost-reimbursable, time-and-materials, and fixed-price.

Cost-reimbursable contracts. Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fee. We generate revenue under two general types of cost-reimbursable contracts: cost-plus-fixed-fee and cost-plus-award-fee contracts, both of which reimburse allowable costs and include a fixed contract fee. The fixed fee under each type of cost-reimbursable contract is generally payable upon completion of services in accordance with the terms of the contract, and cost-plus-fixed-fee contracts offer no opportunity for payment beyond the fixed fee. Cost-plus-award-fee contracts also provide for an award fee that varies within specified limits based upon the client's assessment of our performance

against a predetermined set of criteria, such as targets for factors like cost, quality, schedule, and performance.

Time-and-materials contracts. Under a time-and-materials contract, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for allowable material costs and allowable out-of-pocket expenses. To the extent our actual direct labor and associated costs vary in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, or could incur a loss.

Fixed-price contracts. Under a fixed-price contract, we agree to perform the specified work for a pre-determined price. To the extent our actual costs vary from the estimates upon which the price was negotiated, we will generate more or less profit, or could incur a loss. Some fixed-price contracts have a performance-based component, pursuant to which we can earn incentive payments or incur financial penalties based on our performance. Fixed-price level of effort contracts require us to provide a specified level of effort, 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 tends to be higher than cost-reimbursable contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings but generally involve greater financial risk because we bear the impact of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period's profitability. Over time we have experienced a relatively stable contract mix although the U.S. government has indicated an intent to increase its use of fixed price contract procurements and reduce its use of cost-plus-award-fee contract procurements.

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

	Predecessor	The Company	
	Fiscal 2008	Pro Forma 2009	Fiscal 2010
Cost-reimbursable(1)	47%	50%	50%
Time-and-materials	44%	39%	38%
Fixed-price(2)	9%	11%	12%

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

(2) Includes fixed-price level of effort contracts.

Contract Diversity and Revenue Mix

We provide our services to our clients through a large number of single award contracts and contract vehicles and multiple award contract vehicles. In fiscal 2010, the revenue from our top ten single award contracts or contract vehicles based on revenue represented 19% of our revenue. Most of our revenue is generated under ID/IQ contract vehicles, which include multiple award GWACs and GSA schedules and certain single award contracts. GWACs and GSA schedules are available to all U.S. government agencies. Any number of contractors typically compete under multiple award ID/IQ contract vehicles for task orders to provide particular services, and we earn revenue under these contract vehicles only to the extent that we are successful in the bidding process for task orders. In each of fiscal 2008, pro forma 2009 and fiscal 2010, our revenue under GWACs and GSA schedules collectively represented 29%, 27% and 23% of our total revenue, respectively. No single task order under any contract represented more than 1% of our revenue in any of fiscal

2008, pro forma 2009 or fiscal 2010. No single contract accounted for more than 9% of our revenue in any of fiscal 2008, pro forma 2009 and fiscal 2010.

As of September 30, 2009, the end of the U.S. government's fiscal year, there were a total of 40 GSA schedules with over 17,000 schedule holders that generated more than \$37.0 billion in annual sales in U.S. government fiscal year 2009. We were the number three provider under the GSA federal supply schedule program with a total of \$899.0 million in revenue during U.S. government fiscal 2009. Based on revenue from our top three GSA schedules, we are the number five contractor on the Information Technology (IT) Schedule 70, the number two contractor on the Mission Oriented Business Integrated Services (MOBIS) Schedule, and the number two contractor on the Professional Engineering Services (PES) Schedule in U.S. government fiscal year 2009.

Listed below are our top three GSA schedules and GWACs based on revenue for each of fiscal 2008, pro forma 2009 and fiscal 2010, the number of active task orders as of March 31, 2010 under each of our top three GSA schedules and GWACs and an aggregation of all other GSA schedules and GWACs. These contract vehicles are available to all U.S. government agencies and the revenue stated is the result of individually competed task orders.

Contract	Fiscal 2008	% of Total Revenue	Pro Forma 2009	% of Total Revenue	Fiscal 2010	% of Total Revenue	Number of Task Orders as of March 31, 2010	Expiration Date
Mission Oriented Business Integrated Services (MOBIS) #874	\$ 187.8	5%	\$ 245.6	6%	\$ 351.7	7%	494	9/30/12
Information Technology (IT) #70	\$ 330.2	9%	\$ 334.5	8%	\$ 257.7	5%	326	7/30/10
Professional Engineering Services (PES) #871	\$ 242.8	7%	\$ 243.8	6%	\$ 216.5	4%	287	10/28/14
All Others	\$ 279.4	8%	\$ 339.1	8%	\$ 368.2	7%		
Total	\$ 1,040.2	29%	\$ 1,163.0	27%	\$ 1,194.1	23%		

Listed below are our top single award contract, our top five single award contracts and our top ten single award contracts, each based on revenue and the number of active task orders as of March 31, 2010 under these contracts. Eight of our top ten single award contracts and all of our top five single award contracts are ID/IQ contracts. The number of task orders for our top ten contracts does not include task orders under classified contracts due to the fact that information associated with those contracts is classified.

Contract	Fiscal 2010	% of Total Revenue	Number of Task Orders as of March 31, 2010 (Revenue in millions)	Expiration Date
Top Contract	\$ 376.0	7%	335	1/8/2013
Top Five Contracts	\$ 817.3	16%	907	
Top Ten Contracts	\$ 957.8	19%	961	

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 affect our contract margins. Our contract margins are generally highest when we contract directly with the government without the engagement of subcontractors. When we act as a prime contractor or as a subcontractor, our contract margins are generally higher on revenue earned for services we provide than the margins we earn on services provided by our subcontractors. For fiscal 2008, pro forma 2009 and fiscal 2010, 88%, 86% and 87%, respectively, of our revenue was generated by contracts and task orders for which we serve as a prime contractor; 12%, 14% and 13%, respectively, of our revenue was generated by contracts and task orders for

which we serve as a subcontractor; and 22%, 21% and 22%, respectively, of our revenue was generated by services provided by our subcontractors.

Our People

Revenue from our contracts is derived from services delivered by our people and, as discussed above, to a lesser extent from our subcontractors. Our ability to hire, retain and deploy talent is critical to our ability to grow our revenue. As of March 31, 2008, 2009, and 2010 we employed approximately 18,800, 21,600, and 23,300 people, respectively, of which approximately 16,900, 19,600, and 21,000, respectively, were consulting staff employees. Attrition for consulting staff was 15%, 15%, and 14% during fiscal 2008, 2009, and 2010, respectively. We recently enhanced our firm-wide hiring program to recruit and attract additional high quality and experienced talent. We believe this program will allow us to better service our clients under existing contracts and reduce our need to use subcontractors.

Contract Backlog

We define backlog to include the following three components:

Funded Backlog. Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.

Unfunded Backlog. Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.

Priced Options. Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

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

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

	The Company	
	As of March 31,	
	2009	2010
	(In millions)	
Backlog:		
Funded	\$ 2,392	\$ 2,528
Unfunded	1,968	2,453
Priced options	2,919(1)	4,032(1)
Total backlog	\$ 7,279	\$ 9,013

(1) Amounts shown reflect 100% of the undiscounted revenue value of all priced options.

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

We view growth in total backlog and headcount growth as the two key measures of our business growth. Headcount growth is the primary means by which we are able to recognize revenue growth through the deployment of additional people against funded backlog. Some portion of our employee base is employed on less than a full time basis, and we measure such revenue growth based on the full time equivalency of our

people. Total backlog grew 24% from March 31, 2009 to March 31, 2010. We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period. While we report internally on our backlog on a monthly basis and review backlog upon the occurrence of certain events to determine if any adjustments are necessary, we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue are program schedule changes and contract modifications. Additional risks include 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 available; and, in the case of priced options, the risk that our clients will not exercise their options. See **Risk Factors** **Risks Related to Our Business**. We may not realize the full value of our backlog, which may result in lower than expected revenue.

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. Certain trends relating to our costs include hiring 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 a specific skill set and security clearances as required by our additional work. Incentive compensation generally increases as we report higher revenue.

Our most significant operating costs and expenses are described below.

Cost of Revenue

Cost of revenue includes direct labor, related employee benefits and overhead. Overhead consists of indirect costs, including indirect labor relating to infrastructure, management and administration, and other expenses.

Billable Expenses

Billable expenses include direct subcontractor expenses, travel expenses, and other expenses incurred to perform on contracts.

General and Administrative Expenses

General and administrative expenses include indirect labor of executive management and corporate administrative functions, marketing and bid and proposal costs, and other discretionary spending.

Upon the completion of this offering, we will be required to comply with new accounting, financial reporting and corporate governance standards as a public company that we expect will cause our general and administrative expenses to increase. Such costs will include, among others, increased auditing and legal fees, board of director fees, investor relations expenses, and director and officer liability insurance costs.

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.

Income Taxes

Our NOL carryforward, which as of March 31, 2010 was \$367.6 million, is subject to Section 382 of the Internal Revenue Code. Section 382 of the Internal Revenue Code limits the use of a corporation's NOLs and certain other tax benefits following a change in ownership of the corporation. We believe that it is more likely than not that the results of future operations will generate sufficient taxable income over the next two to five years to realize the tax benefits of our NOL carryforward.

We also expect that our future cash tax payments will be further reduced by utilizing deductions created upon the exercise of employee stock options. In general, under current law, an exercise of a compensatory option to acquire our stock would create an income tax deduction in an amount equal to the excess of the fair market value of the stock subject to the option over the option exercise price. In connection with the Acquisition, we issued options under the Officers Rollover Stock Plan, referred to as Rollover options, of which options to purchase 1,334,584 shares were outstanding as of March 31, 2010, including options to purchase 97,139 shares that were vested as of such date. The remaining Rollover options vest over the period from June 30, 2010 to June 30, 2013 and, once vested, are required to be exercised no later than 60 days (subject to extension by the Board) following specified exercise commencement dates ranging from June 30, 2010 to June 30, 2015 or such options will be forfeited. Assuming that all such options vest in accordance with their terms and are exercised in accordance with the exercise schedule, and that the fair market value of our Class A common stock at the time of such exercises were equal to \$, the midpoint of the range set forth on the cover page of this prospectus, the expected reduction in our cash taxes over the exercise period for such options would be approximately \$ in excess of the tax benefit for such awards reflected in our consolidated financial statements. There can be no assurance that any such options will vest and be exercised or that the value of our stock at the time of any exercise will not be less than such midpoint or that any such tax deduction will be realized. Any increase or decrease in the price of our Class A common stock at the time of any such exercise relative to such midpoint assumed above would likewise have the effect of increasing (in the case of a decrease in stock price) or decreasing (in the case of an increase in stock price) our future cash tax payments.

In addition, we have issued options under the Equity Incentive Plan, referred to as EIP options, of which options to purchase 1,306,497 shares were outstanding as of March 31, 2010, including options to purchase 236,889 shares that were vested as of such date. These outstanding EIP options vest over the period from fiscal 2011 to fiscal 2016 based on the continued employment of the holder and the fulfillment of certain performance targets. Options are exercisable any time between vesting and ten years after grant date ranging from June 30, 2019 to June 30, 2020. The exercise prices of EIP options outstanding as of March 31, 2010 range from \$ to \$ per share and the weighted average exercise price for such outstanding EIP options is \$. Assuming that all such options vest in accordance with their terms and are exercised, and that the fair market value of our Class A common stock at the time of such exercises were equal to \$, the midpoint of the range set forth on the cover page of this prospectus, and after giving effect to the exercise of 31,383 options with an exercise price of \$ per share after the end of fiscal 2010, the expected reduction in our cash taxes over the exercise period for such options would be approximately \$ million in excess of the tax benefit for such awards reflected in our consolidated financial statements. There can be no assurance that any such options will vest and be exercised, as to the timing of any exercise or that the value of our stock at the time of any such exercise will not be less than such midpoint or that any such tax deduction will be realized. Any increase or decrease in the price of our Class A common stock at the time of any such exercise relative to such midpoint assumed above would likewise have the effect of increasing (in the case of a decrease in stock price) or decreasing (in the case of an increase in stock price) our future cash tax expense.

For further information regarding our outstanding options, including vesting and exercise terms, see Executive Compensation Executive Compensation Plans and Note 17 to our consolidated financial statements.

Effects of Inflation

50% of our revenue is derived from cost-reimbursable contracts as of March 31, 2010, which are generally completed within one year of the contract start date. Bids for longer-term fixed-price and time-and-materials contracts typically include sufficient provisions for labor and other cost escalations to cover anticipated cost increases over the period of performance. Consequently, revenue and costs have generally both increased commensurate with overall economic growth. As a result, net income as a percentage of total revenue has not been significantly impacted by inflation.

Seasonality

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

Seasonality is just one of a number of factors, many of which are outside of our control, that may affect our results in any period. See **Risk Factors** **Risks Relating to Our Common Stock and This Offering** Our financial results may vary significantly from period to period as a result of a number of factors, many of which are outside our control, which could cause the market value of our Class A common stock to decline.

Critical Accounting Estimates and Policies

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

Our significant accounting policies, including the critical policies and practices listed below, are more fully described and discussed in the notes to the consolidated financial statements. We consider the following accounting policies to be critical to an understanding of our financial condition and results of operations because these policies require the most difficult, subjective or complex judgments on the part of our management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain, and are the most important to our financial condition and operating results.

Revenue Recognition and Cost Estimation

Substantially all of our revenue is derived from contracts to provide professional services to the U.S. government and its agencies. In most cases, we recognize revenue as work is performed. For fixed-price contracts, we recognize revenue on the percentage-of-completion basis with progress toward completion of a particular contract based on actual costs incurred relative to total estimated costs to be incurred over the life of the contract. Profits on fixed-price contracts result from the difference between the incurred costs and the revenue earned. This method is followed where reasonably dependable estimates of revenue and costs under the contract can be made. Estimates of total contract revenue and costs are reviewed regularly and at least quarterly, and recorded revenue and costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenue and income, and are reflected in the financial statements in the periods in which they are first identified. If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Estimating costs under our long-term contracts is complex and involves significant judgment. Factors that must be considered in making estimates include labor productivity and availability, the nature and technical complexity of the work to be performed, potential performance delays, availability and timing of funding from the client, progress toward completion, and recoverability of claims. Adjustments to original estimates are often

required as work progresses and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is made when facts develop, events become known or an adjustment is otherwise warranted, such as in the case of a contract modification. We have procedures and processes in place to monitor the actual progress of a project against estimates and our estimates are updated if circumstances are warranted.

We recognize revenue for cost-plus-fixed-fee contracts with the U.S. government as hours are worked based on reimbursable and allowable costs, recoverable indirect costs and an accrual for the fixed fee component of the contract. Many of our U.S. government contracts include award fees, which are earned based on the client's evaluation of our performance. We have significant history with the client for the majority of contracts on which we earn award fees. That history and management monitoring of performance form the basis for our ability to estimate such fees over the life of the contract. Based on these estimates, we recognize award fees as work on the contracts is performed.

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

Change in Accounting Principle for Revenue Recognition

In 2010, we changed our methodology of recognizing revenue for all of our U.S. government contracts to apply the accounting guidance of Financial Accounting Standards Board, or FASB, Accounting Standard Codification, or ASC, Subtopic 605-35, as directed by ASC Topic 912, which permits revenue recognition on a percentage-of-completion basis. Previously, we applied this guidance only to contracts related to the construction or development of tangible assets. For contracts not related to those activities, we had applied the general revenue recognition guidance of Staff Accounting Bulletin, or SAB, Topic 13, Revenue Recognition. Upon contract completion, both methods yield the same results, but we believe that the application of contract accounting under ASC 605-35 to all U.S. government contracts is preferable to the application of contract accounting under SAB Topic 13, based on the fact that the percentage of completion model utilized under ASC 605-35 is a recognized accounting model that better reflects the economics of a U.S. government contract during the contract performance period.

The only material financial impact resulting from the accounting change is the recognition of award fees based upon reliable estimates. The guidance in ASC 605-35 allows for award fees to be recorded over the life of a contract based on management's estimates of those total fees, to the extent we are able to make such estimates. We have concluded that these estimates, in prior and current periods, can be made based on our significant history with our portfolio of contracts and management's monitoring of fees earned on such contracts. Management concluded that accrual of award fees is appropriate for all of our existing cost-plus-award-fee contracts for which management is able to estimate the award fees. This change has been reflected in all periods presented in the audited consolidated financial statements and the unaudited financial data presented elsewhere in this prospectus.

In accordance with ASC Subtopic 250-10, Accounting Changes and Error Corrections, all prior periods presented have been retrospectively adjusted to apply the new method of accounting. Refer to Note 2 to our consolidated financial statements for information on the effect of the change in accounting principle on our consolidated financial statements.

Goodwill and Intangible Impairment

Goodwill represents the excess of the purchase price of an acquired business over the fair value of its net tangible and identifiable intangible assets. The fair value assessments involved in the calculation of goodwill require judgments and estimates that can be affected by contract performance and other factors over time, which may cause the amount of goodwill associated with a business to differ materially from original estimates.

We have identified a single reporting unit for purposes of testing goodwill. The goodwill of our reporting unit is tested for impairment annually on January 1 and whenever an event occurs or circumstances change such that it is reasonably possible that an impairment condition may exist. Events or circumstances that could trigger such an interim impairment test include a decline in market capitalization below book value, internal reports or reports by our competitors of a decrease in revenue or operating income or bankruptcies, lower than expected income during the

current fiscal year or expected for the next fiscal year, current period operating or cash flow loss, loss of significant contracts, or projection of continuing income or cash flow losses associated with the use of a long-lived asset or group of assets.

Our goodwill impairment test is a two-step process performed at the reporting unit level. The first step consists of estimating the fair value of our reporting unit based on a discounted cash flow model using revenue and profit forecasts and comparing its estimated fair value with the carrying value, which includes the allocated goodwill. If the fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The implied fair value of goodwill is the residual fair value derived by deducting the fair value of the reporting unit's identifiable assets and liabilities from its estimated fair value calculated in step one. The impairment charge represents the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of goodwill. The revenue and profit forecasts used in step one are based on management's best estimate of future revenue and operating costs. Changes in these forecasts could cause the reporting unit to either pass or fail the first step in the impairment test, which could significantly change the amount of the impairment recorded from step two. In addition, the estimated future cash flows are adjusted to present value by applying a discount rate. Changes in the discount rate impact the impairment by affecting the calculation of the fair value of the reporting unit in step one.

Our goodwill impairment test performed for fiscal 2010 did not result in any impairment of goodwill. For the year ended March 31, 2010, there were no triggering events indicative of goodwill or intangible impairment.

Stock-Based Compensation

We use the Black-Scholes option-pricing model to determine the estimated fair value for stock options. The fair value of our stock on the date of the option grant is determined based on an external valuation prepared contemporaneously and approved by management and reviewed by the Board.

Critical inputs into the Black-Scholes option-pricing model include: the option exercise price; the fair value of the stock price; the expected life of the option in years; the annualized volatility of the stock; the annual rate of quarterly dividends on the stock; and the risk-free interest rate.

As we have no plans to issue regular dividends, a dividend yield of zero is used in the Black-Scholes model. Expected volatility is calculated as of each grant date based on reported data for a peer group of publicly traded companies for which historical information is available. We will continue to use peer group volatility information until our historical volatility can be regularly measured against an open market to measure expected volatility for future option grants. Other than the expected life of the option, volatility is the most sensitive input to our option grants. To be consistent with all other implied calculations, the same peer group used to calculate other implied metrics is also used to calculate implied volatility. While we are not aware of any news or disclosure by our peers that may impact their respective volatility, there is a risk that peer group volatility may increase, thereby increasing any prospective future compensation expense that will result from future option grants.

The risk-free interest rate used in the Black-Scholes option-pricing model is determined by referencing the U.S. Treasury yield curve rates with the remaining term equal to the expected life assumed at the date of grant. Due to the lack of historical exercise data, the average expected life is estimated based on internal qualitative and quantitative factors. As we obtain data associated with future exercises, the useful life of future grants will be adjusted accordingly.

Forfeitures are estimated based on our historical analysis of attrition levels. Forfeiture estimates will be updated annually for actual forfeitures. We do not expect this assumption to change materially, as attrition levels have historically been low.

As a privately held company, we obtained contemporaneous valuations by an independent valuation specialist for our fair value determinations. The valuations were based on several generally accepted valuation techniques: a discounted

cash flow analysis, a comparable public company analysis, and for the most recent valuation, a comparative transaction analysis. Estimates used in connection with the discounted cash flow analysis were consistent with the plans and estimates that we use to manage the business although there is inherent uncertainty in these estimates. The valuation analysis results in a range of derived values with the

final value selected and approved by our Compensation Committee. The completion of the initial public offering may add value to the shares due to, among other things, increased liquidity and marketability; however, the extent (if any) of such additional value cannot be measured with precision or certainty and the shares could suffer a decrease in value.

Accounting for Income Taxes

Provisions for federal and state income taxes are calculated from the income reported on our financial statements based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those previously used in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for purposes of preparing financial statements than for income tax purposes.

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

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

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update, or ASU, No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB EITF 08-01*, to amend the revenue recognition guidance for arrangements with multiple deliverables under ASC 605-25, *Revenue Recognition: Multiple-Element Arrangements*. This guidance modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criteria that verifiable and objective evidence of fair value exists for the undelivered elements.

In October 2009, the FASB issued ASU No. 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements – a consensus of the FASB Emerging Issues Task Force*, to amend the revenue recognition guidance for certain arrangements that include software elements under FASB ASC 985-605, *Software: Revenue Recognition*. The amendment to ASC 985-605 focuses on determining which arrangements are within the scope of the software revenue guidance.

The changes in ASU No. 2009-13 and ASU No. 2009-14 are effective on a prospective basis for transactions entered into or materially modified for fiscal years beginning on or after June 15, 2010, or on a retrospective basis for all periods presented. Early adoption is permitted as of the beginning of our fiscal year provided we have not previously issued financial statements for any period within that year. We have adopted the guidance on a prospective basis effective April 1, 2010 and we believe that the guidance will not have material impact on our consolidated financial statements and disclosures. We are required to adopt both ASU No. 2009-13 and ASU No. 2009-14 in the same manner.

In March 2010, the FASB ratified Emerging Issues Task Force, or EITF, No. 08-9, *Milestone Method of Revenue Recognition*, relating to revenue recognition disclosures on research and development deliverables. Under the new guidance, entities with research and development arrangements, regardless of whether the arrangements have single or multiple deliverables, must make certain financial statement disclosures about the arrangements' milestones. These disclosures are now required to include a description of the overall

arrangement and its individual milestones, a conclusion as to whether the milestones are substantive, and the amount of consideration associated with the milestone recognized during the current period. Additionally, entities should disclose the list of factors they used in determining whether the milestones are substantive and any related contingent consideration. We are currently evaluating the impact, if any, that the guidance will have on our consolidated financial statements and disclosures. We would be required to adopt EITF No. 08-9 prospectively for all fiscal and interim periods after June 15, 2010, in accordance with the new standard.

Other recent accounting pronouncements issued by the FASB (including the EITF) and the American Institute of Certified Public Accountants were not or are not believed by management to have a material impact on our future consolidated financial statements.

Segment Reporting

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

The Acquisition

On July 31, 2008, pursuant to the Merger Agreement, the then-existing shareholders of Booz Allen Hamilton completed the spin off and sale of the commercial and international business to the commercial partners and the acquisition of Booz Allen Hamilton by Carlyle, through the merger of Booz Allen Hamilton with a wholly-owned indirect subsidiary of Booz Allen Holding. Booz Allen Holding was formed for the purpose of Carlyle indirectly acquiring Booz Allen Hamilton and was capitalized through (1) the sale of \$956.5 million of shares of Class A common stock by Booz Allen Holding to Coinvest and (2) \$1,240.3 million of net proceeds from indebtedness incurred under the Senior Credit Facilities and the Mezzanine Credit Facility. Booz Allen Holding acquired Booz Allen Hamilton for total consideration of \$1,828.0 million. The acquisition consideration was allocated to the acquired net assets, identified intangibles of \$353.8 million, and goodwill of \$1,163.1 million.

In connection with the Acquisition, Booz Allen Holding exchanged certain shares of its common stock for previously issued and outstanding shares of Booz Allen Hamilton. Fully vested shares of Booz Allen Hamilton were exchanged for vested shares of Booz Allen Holding, with a fair value of \$79.7 million. This amount was included as a component of the total acquisition consideration. Booz Allen Holding also issued restricted shares and options in exchange for previously issued and outstanding stock rights of Booz Allen Hamilton. Based on the vesting terms of the newly issued Booz Allen Holding Class C restricted common stock and the new options granted under the Officers Rollover Stock Plan, the fair value of those awards, \$147.4 million, is recognized as compensation expense by us subsequent to the Acquisition as the restricted common stock and stock options vest over a period of three to five years. See The Acquisition and Recapitalization Transaction.

The Recapitalization Transaction

On December 11, 2009, we consummated the Recapitalization Transaction, which included amendments of the Senior Credit Facilities and the Mezzanine Credit Facility to, among other things, add the \$350.0 million Tranche C term facility under the Senior Credit Facilities and waive certain covenants to permit the Recapitalization Transaction. Net proceeds from the Tranche C term facility of \$341.3 million, along with cash on hand, were used to fund Booz Allen Hamilton's dividend payment of \$497.5 million, or \$46.42 per share, to all issued and outstanding shares of Booz

Allen Holding's Class A common stock, Class B non-voting common stock and Class C restricted common stock. We also repaid a portion of the Deferred Payment Obligation in the amount of \$100.4 million, including \$22.4 million in accrued interest. As required by the Officers' Rollover Stock Plan and the Equity Incentive Plan, the exercise price per share of

each outstanding option was reduced in an amount equal to the reduction in the value of the common stock as a result of the dividend. Because the reduction in share value exceeded the exercise price for certain of the options granted under the Officers' Rollover Stock Plan, the exercise price for those options was reduced to the par value of the shares issuable on exercise, and the holders became entitled to receive on the option's fixed exercise date a cash payment equal to the excess of the reduction in share value as a result of the dividend over the reduction in exercise price, subject to vesting of the relation options. As of March 31, 2010, the total obligations for these cash payments was \$54.4 million. See The Acquisition and Recapitalization Transaction.

Basis of Presentation

As discussed in more detail under The Acquisition and Recapitalization Transaction, Booz Allen Hamilton was indirectly acquired by Carlyle on July 31, 2008. Immediately prior to the Acquisition, Booz Allen Hamilton spun off its commercial and international business and retained its U.S. government business. The accompanying consolidated and combined financial statements are presented for (1) the Predecessor, which are the financial statements of Booz Allen Hamilton for the period preceding the Acquisition, and (2) the Company, which are the financial statements of Booz Allen Holding and its consolidated subsidiaries for the period following the Acquisition. Prior to the Acquisition, Booz Allen Hamilton's U.S. government business is presented as the continuing operations of the Predecessor. The Predecessor's consolidated financial statements have been presented for the twelve months ended March 31, 2008 and the four months ended July 31, 2008. The operating results of the commercial and international business that was spun off by Booz Allen Hamilton effective July 31, 2008 have been presented as discontinued operations in the Predecessor consolidated financial statements and the related notes included in this prospectus. The Company's consolidated financial statements for periods subsequent to the Acquisition have been presented from August 1, 2008 through March 31, 2009 and for the twelve months ended March 31, 2010. The Predecessor's financial statements may not necessarily be indicative of the cost structure or results of operations that would have existed if the U.S. government business operated as a stand-alone, independent business. The Acquisition was accounted for as a business combination, which resulted in a new basis of accounting. The Predecessor's and the Company's financial statements are not comparable as a result of applying a new basis of accounting. See Notes 2, 4, and 24 to our consolidated financial statements for additional information regarding the accounting treatment of the Acquisition and discontinued operations.

The spin off of the commercial and international business, the acquisition of a majority ownership by Carlyle, the related application of the purchase accounting method and changes in our outstanding debt resulted in significant changes in, among other things, asset values, amortization expense, and interest expense. Additionally, the Predecessor's net loss for the four months ended July 31, 2008 includes approximately \$1.5 billion of stock compensation expense related to the accelerated vesting of a portion of existing rights to purchase common stock of the Company and the mark-up of the Predecessor's common stock to fair market value in anticipation of the Acquisition. The Acquisition purchase price was allocated to the Company's net tangible and identifiable intangible assets based upon their fair values as of August 1, 2008. The excess of the purchase price over the fair value of the net tangible and identifiable assets was recorded as goodwill.

The results of operations for fiscal 2008, the four months ended July 31, 2008 and the eight months ended March 31, 2009 are presented as adjusted to reflect the change in accounting principle related to our revenue recognition policies, as described in Critical Accounting Estimates and Policies.

Results of Operations

The following table sets forth items from our consolidated statements of operations for the periods indicated (in thousands). Included in the table below and set forth in the following discussion are unaudited pro forma results of operations for the twelve months ended March 31, 2009, or pro forma 2009, assuming the Acquisition had been

completed as of April 1, 2008. The unaudited pro forma condensed consolidated

results of operations for fiscal 2009 are based on our historical audited consolidated financial statements included elsewhere in this prospectus, adjusted to give pro forma effect to the Acquisition.

The unaudited pro forma condensed consolidated results of operations for fiscal 2009 are presented because management believes it provides a meaningful comparison of operating results enabling twelve months of fiscal 2009 to be compared with fiscal 2010 and fiscal 2008, adjusting for the impact of the Acquisition. The unaudited pro forma condensed consolidated financial statements are for informational purposes only and do not purport to represent what our actual results of operations would have been if the Acquisition had been completed as of April 1, 2008 or that may be achieved in the future. The unaudited pro forma condensed consolidated financial information and the accompanying notes should be read in conjunction with our historical audited consolidated financial statements and related notes appearing elsewhere in this prospectus and other financial information contained in Prospectus Summary, Risk Factors and The Acquisition and Recapitalization Transaction, in this prospectus.

	Predecessor			The Company		
	Fiscal Year Ended March 31, 2008 (As adjusted)	Four Months Ended July 31, 2008 (As adjusted)	Eight Months Ended March 31, 2009 (As adjusted)	Pro Forma Adjustments	Pro Forma Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010
	(In thousands)					
Revenue	\$ 3,625,055	\$ 1,409,943	\$ 2,941,275		\$ 4,351,218	\$ 5,122,633
Operating costs and expenses:						
Cost of revenue	2,028,848	722,986	1,566,763	\$ 6,586 (a)	2,296,335	2,654,143
Billable expenses	935,459	401,387	756,933		1,158,320	1,361,229
General and administrative expenses	474,188	726,929	505,226	(508,328)(b)	723,827	811,944
Depreciation and amortization	33,079	11,930	79,665	14,740 (c)	106,335	95,763
Total operating costs and expenses	3,471,574	1,863,232	2,908,587		4,284,817	4,923,079
Operating income (loss)	153,481	(453,289)	32,688		66,401	199,554
Interest income	2,442	734	4,578		5,312	1,466
Interest (expense)	(2,319)	(1,044)	(98,068)	(47,691)(d)	(146,803)	(150,734)
Other expense, net	(1,931)	(54)	(128)		(182)	(1,292)
Income (loss) from continuing operations before income taxes	151,673	(453,653)	(60,930)		(75,272)	48,994
Income tax expense (benefit) from continuing	62,693	(56,109)	(22,147)	52,425 (e)	(25,831)	23,575

operations

Income (loss) from continuing operations	88,980	(397,544)	(38,783)	\$ (49,441)	25,419
Loss from discontinued operations, net of tax	(71,106)	(848,371)			
Net income (loss)	\$ 17,874	\$ (1,245,915)	\$ (38,783)		\$ 25,419

(a) Reflects additional stock-based compensation expense associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the Acquisition for \$6.6 million (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation).

(b) Consists of the following adjustments:

Increase to rent expense of \$1.8 million due to the elimination of the July 31, 2008 deferred rent liability in accordance with the accounting treatment of leases associated with the business combination;

Increase to management fees paid to Carlyle of \$0.3 million (see Note 19 to our consolidated financial statements for additional information regarding the management fees);

Additional stock-based compensation expense of \$13.4 million associated with options issued in exchange for stock rights under the stock rights plan that existed prior to the closing of the Acquisition (see Note 17 to our consolidated financial statements for additional information on our stock-based compensation);

Reversal of \$511.7 million for a one-time acceleration of stock rights and the fair value mark-up of redeemable common shares immediately prior to the acquisition; and

Reversal of certain related transaction costs of \$12.2 million.

(c) Reflects amortization expense of intangible assets established as part of purchase accounting and depreciation expense associated with the fair value of fixed assets associated with the Acquisition accounted for as a business combination for \$14.7 million.

(d) Consists of the following adjustments:

Reversal of interest expense of \$1.0 million recorded during the four months ended July 31, 2008 related to the Predecessor's previous debt outstanding prior to the Acquisition; and

Incurrence of additional interest expense of \$48.7 million associated with the new Senior Credit Facilities and Mezzanine Credit Facility established in conjunction with the Acquisition.

(e) Reflects tax effect of the cumulative pro forma adjustments.

Financial and Other Highlights Fiscal 2010

We have a broad and diverse contract and client base and no single contract or task order accounted for more than a 10% impact on our revenue growth from pro forma 2009 to fiscal 2010. Key financial highlights during fiscal 2010 include:

Revenue increased 17.7% over pro forma 2009 driven primarily by the deployment of approximately 1,500 net additional consulting staff during fiscal 2010 against funded backlog. Net additional consulting staff reflects newly hired consulting staff net of consulting staff attrition.

Operating income for fiscal 2010 as a percentage of revenue increased to 3.9% in fiscal 2010 from 1.5% in pro forma 2009. The increase in operating margin reflects a reduction in the cost of revenue as a percentage of revenue driven by a decrease in Acquisition-related expenses and cost efficiencies across our overhead base primarily related to lower indirect labor costs. Operating income reflects a \$3.1 million reduction in reserves for costs in excess of funding appropriated under existing contracts, (ii) recognition of \$3.6 million of profits earned but unrecorded under existing contracts following a comprehensive contract review and (iii) recognition of \$2.1 million of profits earned under a contract that was terminated at the request of our counterparty and with our consent.

Income from continuing operations before taxes for fiscal 2010 was \$49.0 million compared to a loss of \$75.3 million for pro forma 2009 due to an increase in operating income of \$133.2 million partially offset by a decrease in interest income and an increase in interest expense.

Fiscal 2010 Compared to Pro Forma 2009

Revenue

Revenue increased to \$5,122.6 million in fiscal 2010 from \$4,351.2 million in pro forma 2009, or a 17.7% increase. This revenue increase was primarily driven by the deployment of approximately 1,500 net additional consulting staff during fiscal 2010 against funded backlog. Additions to funded backlog during fiscal 2010 totaled \$5.3 billion as a result of the conversion of unfunded backlog to funded backlog, the award

of new contracts and task orders under which funding was appropriated and the exercise and subsequent funding of priced options.

Cost of Revenue

Cost of revenue increased to \$2,654.1 million in fiscal 2010 from \$2,296.3 million in pro forma 2009, or a 15.6% increase, primarily due to increases in salaries and salary-related benefits of \$347.4 million and employer retirement plan contributions of \$27.8 million, partially offset by decreases in incentive compensation of \$13.9 million and \$4.5 million in stock-based compensation expense for new Rollover and EIP options for Class A common stock and restricted shares, in each case issued in connection with the Acquisition (stock-based compensation expense related to Rollover options and restricted shares issued in connection with the Acquisition and the initial grant of EIP options, collectively referred to as Acquisition-related compensation expense). The increase in salaries and salary-related benefits was driven by headcount growth of approximately 1,500 net additional consulting staff during fiscal 2010. Cost of revenue was 51.8% and 52.8% of revenue for fiscal 2010 and pro forma 2009, respectively.

Billable Expenses

Billable expenses increased to \$1,361.2 million in fiscal 2010 from \$1,158.3 million in pro forma 2009, or a 17.5% increase, primarily due to increased direct subcontractor expenses and, to a lesser extent, increases for travel and material expenses incurred to support delivery of additional services to our clients under new and existing contracts. Billable expenses as a percentage of revenue were 26.6% for each of fiscal 2010 and pro forma 2009.

General and Administrative Expenses

General and administrative expenses increased to \$811.9 million in fiscal 2010 from \$723.8 million in pro forma 2009, or a 12.2% increase, primarily due to increases in salaries and salary-related benefits of \$51.7 million, incentive compensation of \$32.0 million and other expenses associated with increased headcount across our general corporate functions, including finance, accounting, legal, and human resources, to prepare us for operating as a public company and support the increased scale of our business, partially offset by a decrease of \$9.0 million in Acquisition-related compensation expense. The increase in general and administrative expenses was also impacted by a decrease of \$16.1 million in fiscal 2010 compared to pro forma 2009 of transaction expenses. Transaction expenses in fiscal 2010 related to the payment of special dividends to holders of record of our Class A common stock, Class B non-voting common stock and Class C restricted stock as of July 29, 2009 and December 8, 2009, and transaction expenses in pro forma 2009 related to the Acquisition, including legal, tax and accounting expenses. General and administrative expenses as a percentage of revenue were 15.9% and 16.6% for fiscal 2010 and pro forma 2009, respectively.

Depreciation and Amortization

Depreciation and amortization decreased to \$95.8 million in fiscal 2010 from \$106.3 million in pro forma 2009, or a 9.9% decrease, primarily due to a decrease of \$17.2 million in the amortization of our intangible assets, including below market rate leases and contract backlog, that were recorded in connection with the Acquisition and amortized based on contractual lease terms and projected future cash flows, respectively, thereby reflecting higher amortization expense initially, and declining expense in subsequent periods. Intangible asset amortization expense decreased to \$3.4 million per month in fiscal 2010 compared to \$4.8 million per month in pro forma 2009.

Interest Income, Interest (Expense) and Other Expense

Interest income is primarily related to interest on late client payments, as well as interest earned on our cash balances. Interest income decreased to \$1.5 million in fiscal 2010 from \$5.3 million in pro forma 2009, or a 72.4% decrease,

due to declining interest rates in the marketplace as well as lower cash balances resulting from the Recapitalization Transaction.

Interest expense increased to \$150.7 million in fiscal 2010 from \$146.8 million in pro forma 2009, or a 2.7% increase, primarily due to debt incurred in connection with the Recapitalization Transaction in December 2009. In connection with the Recapitalization Transaction in December 2009, we amended and restated our Senior Credit Facilities to add the Tranche C term facility. This increase also reflects an increase of \$2.6 million in amortization of debt issuance costs. Interest accrued on our approximately \$1.6 billion of debt as of March 31, 2010 at contractually specified rates ranging from 4.0% to 13.0%, and is generally required to be paid to our syndicate of lenders each quarter. This increase was partially offset by a decrease in interest expense related to the Deferred Payment Obligation. In December 2009, we repaid \$78.0 million of the original Deferred Payment Obligation plus interest accrued on the Deferred Payment Obligation of \$22.4 million. Interest continues to be accrued subsequent to December 2009 on the remaining \$80.0 million of the Deferred Payment Obligation.

Other expense increased to \$1.3 million in fiscal 2010 from \$0.2 million in pro forma 2009.

Income (Loss) from Continuing Operations before Income Taxes

Pre-tax income (loss) was an income of \$49.0 million in fiscal 2010 compared to a loss of \$75.3 million in pro forma 2009. This increase was primarily due to revenue growth, cost efficiencies across our overhead base, lower indirect cost spending and lower Acquisition-related compensation expense.

Income Tax Expense (Benefit) from Continuing Operations

Income tax expense (benefit) was an expense of \$23.6 million in fiscal 2010 compared to a benefit of \$25.8 million in pro forma 2009, primarily due to pre-tax income in fiscal 2010 compared to a pre-tax loss in pro forma 2009. The effective tax rate in pro forma 2009 of 34.3% reflects the impact of state taxes and the limitations on the deductibility of meals and entertainment expenses. This effective tax rate does not equate to future cash expenses for tax, as our NOLs are expected to be used to satisfy a portion of our future tax obligations.

Pro Forma 2009 Compared to Fiscal 2008

Revenue

Revenue increased to \$4,351.2 million in pro forma 2009 from \$3,625.1 million in fiscal 2008, or a 20.0% increase. This revenue increase was primarily driven by the deployment of approximately 2,700 net additional consulting staff during pro forma 2009 against funded backlog. Additions to funded backlog during pro forma 2009 totaled \$4.8 billion as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated and the exercise and subsequent funding of priced options.

Cost of Revenue

Cost of revenue increased to \$2,296.3 million in pro forma 2009 from \$2,028.8 million in fiscal 2008, or a 13.2% increase, primarily due to increased salaries and salary-related benefits of \$330.9 million, employer retirement plan contributions of \$16.3 million and incentive compensation of \$4.4 million, partially offset by a decrease in stock-based compensation expense of \$7.9 million from fiscal 2008 to pro forma 2009. The increase in salaries and salary-related benefits was driven by headcount growth of approximately 2,700 net additional consulting staff during pro forma 2009. Cost of revenue was 52.8% and 56.0% of revenue for pro forma 2009 and fiscal 2008, respectively.

Billable Expenses

Billable expenses increased to \$1,158.3 million in pro forma 2009 from \$935.5 million in fiscal 2008, or a 23.8% increase, primarily due to an increase in direct subcontractor expenses of \$89.9 million to support

delivery of additional services to our clients under new and existing contracts. Billable expenses as a percentage of revenue were 26.6% and 25.8% for pro forma 2009 and fiscal 2008, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$723.8 million in pro forma 2009 from \$474.2 million in fiscal 2008, or a 52.6% increase, primarily due to increases in salaries and salary-related benefits of \$33.0 million, incentive compensation of \$28.3 million and related compensation associated with our increased headcount. Additionally, pro forma 2009 included the impact of Acquisition-related compensation expense of \$55.0 million. The increase also reflects an increase of \$14.2 million of transaction expenses related to the Acquisition, including legal, tax and accounting expenses. General and administrative expenses as a percentage of revenue were 16.6% and 13.1% for pro forma 2009 and fiscal 2008, respectively.

Depreciation and Amortization

Depreciation and amortization expenses increased to \$106.3 million in pro forma 2009 from \$33.1 million in fiscal 2008, primarily due to the amortization of our intangible assets of \$57.8 million, including below market rate leases and contract backlog, that were recorded in connection with the Acquisition and amortized based on contractual lease terms and projected future cash flows, respectively, thereby reflecting higher amortization expense initially, and declining expense in subsequent periods.

Interest Income, Interest (Expense) and Other Income (Expense)

Interest income increased to \$5.3 million in pro forma 2009 from \$2.4 million in fiscal 2008, primarily due to interest earned on the additional cash maintained during the twelve months of operations of pro forma 2009.

Interest expense increased to \$146.8 million in pro forma 2009 from \$2.3 million in fiscal 2008, primarily due to the interest expense incurred associated with the new Senior Credit Facilities, Mezzanine Credit Facility and Deferred Payment Obligation. The increase also reflects amortization of \$3.1 million of debt issuance costs.

Other expense decreased to \$0.2 million in pro forma 2009 from \$1.9 million in fiscal 2008.

Income (Loss) from Continuing Operations before Income Taxes

Pre-tax income (loss) was a loss of \$75.3 million in pro forma 2009 compared to an income of \$151.7 million in fiscal 2008, primarily due to interest expense incurred in connection with the new Senior Credit Facilities and Mezzanine Credit Facility and the Deferred Payment Obligation.

Income Taxes Expense (Benefit) from Continuing Operations

Income tax expense (benefit) was a benefit of \$25.8 million in pro forma 2009 compared to an expense of \$62.7 million in fiscal 2008, primarily due to a pre-tax loss in pro forma 2009, compared to a pre-tax income in fiscal 2008.

Fiscal 2010 Compared to Eight Months Ended March 31, 2009

Revenue

Revenue increased to \$5,122.6 million in fiscal 2010 from \$2,941.3 million in the eight months ended March 31, 2009, or a 74.2% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. This revenue increase was primarily driven by the deployment of approximately 1,500 net additional consulting staff during fiscal 2010 against funded backlog. Additions to funded backlog during fiscal 2010 totaled \$5.3 billion as a result of the conversion of unfunded backlog to funded backlog, the award of new contracts and task orders under which funding was appropriated and the exercise and subsequent funding of priced options.

Cost of Revenue

Cost of revenue increased to \$2,654.1 million in fiscal 2010 from \$1,566.8 million in the eight months ended March 31, 2009, or a 69.4% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. Increased salaries and salary-related benefits of \$987.5 million, employer retirement plan contributions of \$76.3 million, incentive compensation of \$24.5 million, and Acquisition-related compensation expense of \$2.1 million also contributed to the increase. The increase in salaries and salary-related benefits was driven by headcount growth of approximately 1,500 net additional consulting staff during fiscal 2010. Cost of revenue was 51.8% and 53.3% of revenue for fiscal 2010 and the eight months ended March 31, 2009, respectively.

Billable Expenses

Billable expenses increased to \$1,361.2 million in fiscal 2010 from \$756.9 million in the eight months ended March 31, 2009, or a 79.8% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. An increase in direct subcontractor expenses of \$569.7 million and travel expenses of \$32.5 million, incurred to support delivery of additional services to our clients under new and existing contracts, also contributed to the increase. Billable expenses as a percentage of revenue were 26.6% and 25.7% for fiscal 2010 and the eight months ended March 31, 2009, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$811.9 million in fiscal 2010 from \$505.2 million in the eight months ended March 31, 2009, or a 60.7% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. This increase also reflects increased salaries and salary-related benefits of \$124.1 million, incentive compensation of \$37.4 million, employer retirement plan contributions of \$14.6 million, Acquisition-related compensation expense of \$4.3 million, and other expenses associated with increased headcount across our general corporate functions, including finance, accounting, legal, and human resources, to prepare us for operating as a public company and to support the increased scale of our business. General and administrative expenses as a percentage of revenue were 15.9% and 17.2% for fiscal 2010 and the eight months ended March 31, 2009, respectively. General and administrative expenses as a percentage of revenue declined in fiscal 2010 as compared to the eight months ended March 31, 2009 as we continued to leverage our corporate infrastructure over a larger revenue base.

Depreciation and Amortization

Depreciation and amortization increased to \$95.8 million in fiscal 2010 from \$79.7 million in the eight months ended March 31, 2009, or a 20.2% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. This increase also reflects the amortization of certain of our intangible assets, including below-market rate leases and contract backlog, that were recorded in connection with the Acquisition and amortized based on contractual lease terms and projected future cash flows, respectively.

Interest Income and Interest (Expense)

Our interest income decreased to \$1.5 million in fiscal 2010 from \$4.6 million in the eight months ended March 31, 2009, or a decrease of 68.0%, due to declining interest rates in the marketplace, as well as lower cash balances resulting from the Recapitalization Transaction.

Interest expense increased to \$150.7 million in fiscal 2010 from \$98.1 million in the eight months ended March 31, 2009, or a 53.7% increase, primarily due to twelve months of operations included in fiscal 2010 compared to eight months of operations included in the comparison period. Debt incurred in connection with the Recapitalization Transaction in December 2009 also contributed to the increase. In connection with the Recapitalization Transaction in December 2009, we amended and restated our Senior Credit Facilities to add

the Tranche C term facility. Interest accrued on our approximately \$1.6 billion of debt as of March 31, 2010 at contractually specified rates ranging from 4.0% to 13.0%, and is generally required to be paid to our syndicate of lenders each quarter. In December 2009, we also repaid \$78.0 million of the original Deferred Payment Obligation plus interest accrued on the Deferred Payment Obligation of \$22.4 million. Interest continues to be accrued subsequent to December 2009 on the remaining \$80.0 million of the Deferred Payment Obligation.

Income (Loss) from Continuing Operations before Income Taxes

Pre-tax income (loss) was an income of \$49.0 million in fiscal 2010 compared to a loss of \$60.9 million in the eight months ended March 31, 2009. This increase was primarily due to stronger revenue growth, cost efficiency across our overhead base and lower indirect costs.

Income Tax Expense (Benefit) from Continuing Operations

Income tax expense (benefit) was an expense of \$23.6 million in fiscal 2010 compared to a benefit of \$22.1 million in the eight months ended March 31, 2009, primarily due to a pre-tax income in fiscal 2010 as opposed to a pre-tax loss in the eight months ended March 31, 2009.

Our effective tax rate increased from 36.3% as of March 31, 2009 to an annual rate of 48.1% as of March 31, 2010. This effective rate is higher than the statutory rate of 35% primarily due to state taxes and the limitations on the deductibility of meal and entertainment expenses. This effective tax rate does not equate to future cash expenses for tax, as our NOLs are expected to be used to satisfy a portion of our future tax obligations.

Eight Months Ended March 31, 2009 Compared to Four Months Ended July 31, 2008

Revenue

Revenue increased to \$2,941.3 million in the eight months ended March 31, 2009 from \$1,409.9 million in the four months ended July 31, 2008, or a 108.6% increase, primarily due to eight months of operations included in the eight months ended March 31, 2009 compared to four months of operations included in the comparison period.

Cost of Revenue

Cost of revenue increased to \$1,566.8 million in the eight months ended March 31, 2009 from \$723.0 million in the four months ended July 31, 2008, or a 116.7% increase, primarily due to eight months of operations included in the eight months ended March 31, 2009 compared to four months of operations included in the comparison period. In the eight months ended March 31, 2009, we experienced increased salaries and salary-related benefits of \$692.1 million, employer retirement plan contributions of \$56.1 million, Acquisition-related compensation expense of \$20.5 million, and incentive compensation of \$45.3 million. The increase in salary and salary-related benefits resulted from our need to staff new contract and task order awards as well as additional work under existing contracts. Cost of revenue was 53.3% and 51.3% of revenue for the eight months ended March 31, 2009 and the four months ended July 31, 2008, respectively.

Billable Expenses

Billable expenses increased to \$756.9 million in the eight months ended March 31, 2009 from \$401.4 million in the four months ended July 31, 2008, or a 88.6% increase, primarily due to eight months of operations included in the eight months ended March 31, 2009 compared to four months of operations included in the comparison period. Billable expenses as a percentage of revenue were 25.7% and 28.5% in the eight months ended March 31, 2009 and

the four months ended July 31, 2008, respectively. The decrease in billable expenses as a percentage of revenue in the eight months ended March 31, 2009 was due to a higher proportion of subcontractor and material spending in the four months ended July 31, 2008.

General and Administrative Expenses

General and administrative expenses decreased to \$505.2 million in the eight months ended March 31, 2009 from \$726.9 million in the four months ended July 31, 2008, or a 30.5% decrease, primarily related to stock-based compensation expense of \$511.7 million associated with a one-time acceleration of stock rights and the fair value mark-up of redeemable common shares immediately prior to the Acquisition in July 2008 compared to \$41.6 million of Acquisition-related compensation expense in the eight months ended March 31, 2009. The decrease was partially offset by an increase in salaries and salary-related expenses of \$69.4 million, incentive compensation of \$28.9 million, and other expenses during the eight months ended March 31, 2009 as we increased headcount across our general corporate functions following the Acquisition. General and administrative expenses as a percentage of revenue were 17.2% and 51.6% in the eight months ended March 31, 2009 and the four months ended July 31, 2008, respectively.

Depreciation and Amortization

Depreciation and amortization increased to \$79.7 million in the eight months ended March 31, 2009 from \$11.9 million in the four months ended July 31, 2008 primarily due to the amortization of certain of our intangible assets recorded in connection with the Acquisition. The increase also reflects eight months of operations included in the eight months ended March 31, 2009 compared to four months of operations included in the comparison period.

Interest Income and Interest (Expense)

Interest income increased to \$4.6 million in the eight months ended March 31, 2009 from \$0.7 million in the four months ended July 31, 2008 primarily due to eight months of operations included in the eight months ended March 31, 2009 compared to four months of operations included in the comparison period. Interest earned on the additional cash maintained during the eight months ended March 31, 2009 also contributed to this increase.

Interest expense increased to \$98.1 million in the eight months ended March 31, 2009 from \$1.0 million in the four months ended July 31, 2008 primarily due to debt incurred in connection with the Acquisition. Prior to the Acquisition, our debt consisted of an unsecured line of credit in the amount of \$245.0 million, which accrued interest at an interest rate of 3.05% for the four months ended July 31, 2008. In connection with the Acquisition in July 2008, we incurred significant interest-bearing debt with a syndicate of lenders which held two term loans under the Senior Credit Facilities (Tranche A and Tranche B) and a mezzanine loan under the Mezzanine Credit Facility. During the eight months ended March 31, 2009, interest accrued on our debt at contractually specified rates ranging from 4.0% to 13.0%, and was generally paid to our syndicate of lenders each quarter. Additionally, in connection with the Acquisition, we incurred a \$158.0 million Deferred Payment Obligation, which accrues interest at a rate of 5.0% per six-month period.

Income (Loss) from Continuing Operations before Income Taxes

Pre-tax loss decreased to a loss of \$60.9 million in the eight months ended March 31, 2009 from a loss of \$453.7 million in the four months ended July 31, 2008, or a 86.6% decrease, primarily due to stock-based compensation expense related to a one-time acceleration of stock rights and the fair value mark-up of redeemable common stock in connection with the Acquisition and significant transaction related costs in the four months ended July 31, 2008, partially offset by increased interest expense associated with the debt incurred as part of the Acquisition and the recognition of stock compensation expense related to new stock option plans following the Acquisition.

Income Tax Expense (Benefit) from Continuing Operations

Income tax benefit decreased to a benefit of \$22.1 million in the eight months ended March 31, 2009 from a benefit of \$56.1 million in the four months ended July 31, 2008, or a 60.5% decrease, primarily due to a decrease in the pre-tax loss in the eight months ended March 31, 2009 compared to the four months ended July 31, 2008, and the tax treatment of certain costs related to the Acquisition. Our effective tax rate of 12.4%

for the four months ended July 31, 2008 was reflective of non-deductible Acquisition-related costs incurred during the period, primarily equity compensation, for which there was no corresponding tax benefit. The effective tax rate of 36.3% for the eight months ended March 31, 2009 was higher than the statutory rate of 35% primarily due to state taxes.

Four Months Ended July 31, 2008 Compared to Fiscal 2008

Revenue

Revenue decreased to \$1,409.9 million in the four months ended July 31, 2008 from \$3,625.1 million in fiscal 2008, or a 61.1% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008.

Cost of Revenue

Cost of revenue decreased to \$723.0 million in the four months ended July 31, 2008 from \$2,028.8 million in fiscal 2008, or a 64.4% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008. Cost of revenue was 51.3% and 56.0% of revenue for the four months ended July 31, 2008 and fiscal 2008, respectively.

Billable Expenses

Billable expenses decreased to \$401.4 million in the four months ended July 31, 2008 from \$935.5 million in fiscal 2008, or a 57.1% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008. Billable expenses as a percentage of revenue were 28.5% and 25.8% for the four months ended July 31, 2008 and fiscal 2008, respectively.

General and Administrative Expenses

General and administrative expenses increased to \$726.9 million in the four months ended July 31, 2008 from \$474.2 million in fiscal 2008, or a 53.3% increase, primarily due to stock-based compensation expense of \$511.7 million associated with a one-time acceleration of stock rights and the fair value mark-up of redeemable common shares immediately prior to the Acquisition. General and administrative expenses as a percentage of revenue were 51.6% and 13.1% for the four months ended July 31, 2008 and fiscal 2008, respectively. General and administrative expenses as a percentage of revenue for the four months ended July 31, 2008 were significantly higher due to the stock-based compensation expense recorded in connection with the Acquisition.

Depreciation and Amortization

Depreciation and amortization expenses decreased to \$11.9 million in the four months ended July 31, 2008 from \$33.1 million in fiscal 2008, or a 63.9% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008.

Interest Income and Interest (Expense)

Interest income decreased to \$0.7 million in the four months ended July 31, 2008 from \$2.4 million in fiscal 2008, or a 69.9% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008.

Interest expense decreased to \$1.0 million in the four months ended July 31, 2008 from \$2.3 million in fiscal 2008, or a 55.0% decrease, primarily due to four months of operations included in the four months ended July 31, 2008 compared to twelve months of operations included in fiscal 2008.

Income (Loss) from Continuing Operations before Income Taxes

Pre-tax income (loss) was a loss of \$453.7 million in the four months ended July 31, 2008 compared to an income of \$151.7 million in fiscal 2008, primarily due to the increased stock compensation expense related to a one-time acceleration of stock rights and the fair value mark-up of redeemable common stock in anticipation of the Acquisition.

Income Taxes Expense (Benefit) from Continuing Operations

Income tax expense (benefit) was a benefit of \$56.1 million in the four months ended July 31, 2008 compared to an expense of \$62.7 million in fiscal 2008, primarily due to a pre-tax loss for the four months ended July 31, 2008 compared to a pre-tax income in fiscal 2008. Our effective tax rate of 41.3% for fiscal 2008 was higher than the statutory rate of 35%, primarily due to state taxes and equity compensation. Our effective tax rate of 12.4% for the four months ended July 31, 2008 reflected a reduction to the calculated tax benefit at the U.S. statutory and state income tax rate due to non-deductible Acquisition-related costs incurred during the period, primarily equity compensation, for which there was no corresponding tax benefit.

Liquidity and Capital Resources

We have historically funded our operations, debt payments, capital expenditures, and discretionary funding needs from our cash from operations. We had \$420.9 million and \$307.8 million in cash and cash equivalents at March 31, 2009 and March 31, 2010, respectively. We expect to use all of the net proceeds of this offering to repay \$ million of the term loan under the Mezzanine Credit Facility, which was \$545.2 million as of March 31, 2010, and pay a related prepayment penalty of \$. As of March 31, 2010, on a pro forma basis after giving effect to this offering and the use of the net proceeds therefrom, we would have had outstanding approximately \$ million in total indebtedness. Following the completion of this offering and the use of the net proceeds therefrom, our primary sources of liquidity will be cash flow from operations, either from the payment of invoices for work performed or for advances in excess of costs incurred, and available borrowings under our Senior Credit Facilities.

Our primary uses of cash following this offering will be for:

- 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; and
- debt service requirements for borrowing under our Senior Credit Facilities and Mezzanine Credit Facility.

We do not currently intend to declare or pay dividends to holders of our common stock. Our ability to pay dividends to our shareholders is limited as a practical matter by restrictions in the credit agreements governing our Senior Credit Facilities and Mezzanine Credit Facility. Any future determination to pay a dividend is subject to the discretion of our Board, and will depend upon various factors, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable law and our contracts, our ability to negotiate amendments to the credit agreements governing our Senior Credit Facilities and Mezzanine Credit Facility, and other factors deemed relevant by our Board and our creditors.

By selling shares of our Class A common stock to the public in this offering, we will be able to expand ownership in the firm, gain access to the public capital markets, and pay off a portion of the indebtedness that we incurred in

connection with the Recapitalization Transaction. We do not expect our transition to or existence as a public company to affect our client focus or day-to-day operations.

Generally, cash provided by operating activities has been adequate to fund our operations. Due to fluctuations in our cash flows and the growth in our operations, it may be necessary from time to time in the future to borrow under our Credit Facilities to meet cash demands. We anticipate that cash provided by

operating activities, cash and cash equivalents, and borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated cash requirements for the next twelve months.

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. 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 contracts and cost-plus-award-fee contracts. The total amount of our accounts receivable can vary significantly over time, but is generally sensitive to revenue levels. Total accounts receivable (billed and unbilled combined, net of allowance for doubtful accounts) days sales outstanding, or DSO, was 91, 73, and 69 as of March 31, 2008, March 31, 2009, and March 31, 2010, respectively.

The table below sets forth our net cash flows for continuing operations for the periods presented.

	Predecessor		The Company	
	Twelve Months Ended March 31, 2008	Four Months Ended July 31, 2008	Eight Months Ended March 31, 2009	Twelve Months Ended March 31, 2010
	(In thousands)			
Net cash provided by (used in) operating activities	\$ 43,791	\$ (26,548)	\$ 180,709	\$ 270,484
New cash (used in) provided by investing activities	(35,179)	(162,976)	(1,660,518)	(10,991)
Net cash from (used in) financing activities	(4,761)	211,112	1,900,711	(372,560)
Total increase (decrease) in cash and cash equivalents	\$ 3,851	\$ 21,588	\$ 420,902	\$ (113,067)

Net Cash from Operating Activities

Net cash from operations is primarily affected by the overall profitability of our contracts, our ability to invoice and collect from our clients in a timely manner, and our ability to manage our vendor payments. During fiscal 2010, our

net cash provided by operations was \$270.5 million, compared to \$180.7 million in the eight months ended March 31, 2009 and net cash used in operations of \$26.5 million in the four months ended July 31, 2008. The increase in net cash provided by operations in fiscal 2010 compared to the eight months ended March 31, 2009 was primarily due to the twelve months of operations included in fiscal 2010 compared to eight months included in the eight months ended March 31, 2009. This increase was also due to improved management of vendor payments and improved cash collection in fiscal 2010, partially offset by accrued compensation and benefits, which included payment of employee bonuses and annual funding of the Employees' Capital Accumulation Plan, our defined contribution plan.

The increase in net cash provided by operations in the eight months ended March 31, 2009 compared to the four months ended July 31, 2008 was primarily due to the eight months of operations included in the eight

months ended March 31, 2009 compared to four months included in the four months ended July 31, 2008. This increase was also due to a loss from discontinued operations in the four months ended July 31, 2008 and transaction costs related to the Acquisition in the four months ended July 31, 2008.

Net cash used in operations of the Predecessor was \$26.5 million in the four months ended July 31, 2008 compared to net cash provided by operations of \$43.8 million in fiscal 2008, primarily due to a loss from discontinued operations in the four months ended July 31, 2008, as well as transaction costs related to the Acquisition during that period.

Net Cash from Investing Activities

Net cash used in investing activities was \$11.0 million for fiscal 2010 compared to \$1,660.5 million in the eight months ended March 31, 2009 and \$163.0 million in the four months ended July 31, 2008. The decrease in fiscal 2010 compared to the eight months ended March 31, 2009 and the increase in the eight months ended March 31, 2009 compared to the four months ended July 31, 2008, were primarily due to \$1.6 billion of cash paid in connection with the Acquisition, net of cash acquired of \$28.7 million, which was recorded in the eight months ended March 31, 2009. In fiscal 2010, this was partially offset by an increase in capital expenditures and expenditures for internally developed software.

Net cash used in investing activities of the Predecessor was \$163.0 million in the four months ended July 31, 2008 compared to \$35.2 million in fiscal 2008, primarily due to the Predecessor's investments of \$153.7 million in its discontinued operations during the four months ended July 31, 2008.

Net Cash from Financing Activities

Net cash from financing activities are primarily associated with proceeds from debt and the repayment thereof. Net cash used in financing activities was \$372.6 million in fiscal 2010, compared to net cash from financing activities of \$1,900.7 million in the eight months ended March 31, 2009 and net cash from financing activities of \$211.1 million in the four months ended July 31, 2008. The increase in net cash used in financing activities in fiscal 2010 compared to the eight months ended March 31, 2009 was primarily due to the payment of \$612.4 million in special dividends and repayment of \$100.4 million of the Deferred Payment Obligation and related accrued interest, partially offset by net proceeds of \$341.3 million from loans under Tranche C of the Senior Credit Facilities. The increase in net cash used in financing activities in the eight months ended March 31, 2009 compared to the four months ended July 31, 2008 was primarily due to several factors relating to the Acquisition, including proceeds of \$1.2 billion related to the Senior Credit Facilities and the Mezzanine Credit Facility (offset by debt issuance costs of \$45.0 million) and proceeds from the issuance of common stock in connection with the Acquisition of \$956.5 million, partially offset by repayment of \$251.1 million of outstanding debt, which were recorded in the eight months ended March 31, 2008.

Net cash from financing activities of the Predecessor was \$211.1 million in the four months ended July 31, 2008 compared to net cash used in financing activities of \$4.8 million in fiscal 2008, primarily due to proceeds from debt of \$227.5 million during the four months ended July 31, 2008.

Indebtedness

In connection with the Acquisition, we entered into a series of financing transactions. See [The Acquisition and Recapitalization Transaction](#) and [Description of Certain Indebtedness](#).

In connection with the Acquisition, Booz Allen Hamilton, as borrower, and Booz Allen Investor, as guarantor, entered into the Senior Credit Facilities. The Senior Credit Facilities consist of a \$125.0 million Tranche A term facility, a \$585.0 million Tranche B term facility, a \$350.0 million Tranche C term facility and a \$245.0 million revolving credit

facility. As of March 31, 2010, we had \$110.8 million outstanding under the Tranche A term facility, \$566.8 million outstanding under the Tranche B term facility, and \$345.8 million outstanding under the Tranche C term facility. As of March 31, 2010, no amounts had been drawn under the revolving credit facility. As of March 31, 2010, we were contingently liable under open standby letters of credit and bank guarantees issued by our banks in favor of third parties that total \$1.4 million. These letters of

credit and bank guarantees primarily relate to leases and support of insurance obligations. These instruments reduce our available borrowings under the revolving credit facility. As of March 31, 2010, we had \$222.4 million of capacity available for additional borrowings under the revolving credit facility (excluding the \$21.3 million commitment by the successor entity to Lehman Brothers Commercial Bank).

In connection with the Acquisition, Booz Allen Hamilton, as borrower, and Booz Allen Investor, as guarantor, entered into the Mezzanine Credit Facility, which consists of a \$550.0 million term loan. As of March 31, 2010, we had \$545.2 million of term loans outstanding under the Mezzanine Credit Facility.

The loans under the Senior Credit Facilities are secured by substantially all of our assets and none of such assets will be available to satisfy the claims of our general creditors. The credit agreement governing the Senior Credit Facilities requires the maintenance of certain financial and non-financial covenants. The loans under the Mezzanine Credit Facility are unsecured, and likewise the credit agreement governing the Mezzanine Credit Facility requires the maintenance of certain financial and non-financial covenants, including limitations on indebtedness and liens; mergers, consolidations and dissolutions; dispositions of property; restricted payments; investments and acquisitions; sale and leaseback transactions; transactions with affiliates; and limitations on activities.

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

Consolidated Total Leverage Ratio the ratio of total leverage as of the last day of the quarter (defined as the aggregate principal amount of all funded debt, less cash, cash equivalents and permitted liquid investments) to the preceding four quarters Consolidated EBITDA (as defined in the credit agreements governing the Credit Facilities). For the period ending March 31, 2010, this ratio must be less than or equal to 5.75 to 1.0 to comply with the Senior Credit Facilities, and less than 6.9 to 1.0 to comply with the Mezzanine Credit Facility. Effective June 30, 2010, these required ratios will decrease to 5.5 to 1.0 for the Senior Credit Facilities, and 6.6 to 1.0 for the Mezzanine Credit Facility. As of March 31, 2010, we were in compliance with our consolidated total leverage ratio.

Consolidated Net Interest Coverage Ratio the ratio of the preceding four quarters Consolidated EBITDA (as defined in the Senior Credit Facilities) to net interest expense for the preceding four quarters (defined as cash interest expense, less the sum of cash interest income and one-time financing fees (to the extent included in consolidated interest expense)). For the period ending March 31, 2010, this ratio must be greater than or equal to 1.7 to 1.0 to comply with the Senior Credit Facilities. Effective June 30, 2010, this ratio will increase to 1.8 to 1.0. As of March 31, 2010, we were in compliance with our consolidated net interest coverage ratio.

Capital Structure and Resources

At March 31, 2009 and March 31, 2010, we held cash and cash equivalents of approximately \$420.9 million and \$307.8 million, respectively. Our long-term debt amounted to \$1.2 billion and \$1.5 billion at March 31, 2009 and 2010, respectively. As of March 31, 2009 and 2010, our long-term debt bears interest at specified rates and is held by a syndicate of lenders (see Note 11 in our consolidated financial statements).

Our stockholders' equity amounted to \$509.6 million at March 31, 2010, a decrease of \$550.8 million from March 31, 2009, due to the special dividend paid in June 2009 and the special dividend paid in December 2009 in connection with the Recapitalization Transaction described above, as well as the reclassification of \$33.6 million from additional paid-in capital to other long-term liabilities related to the reduction to one cent of the strike price of options vested and not yet exercised that would have had an exercise price below zero as a result of the December 2009 dividend. This difference between one cent and the reduced value for shares vested and not yet exercised is reflected in other long-term liabilities on the March 31, 2010 balance sheet, and is to be paid in cash upon exercise of the options. This

decrease was partially offset by net income of \$25.4 million for fiscal 2010.

Quantitative and Qualitative Disclosures of Market Risk

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt, and cash and cash equivalents consisting primarily of funds invested in U.S. government insured money-market accounts. At March 31, 2009 and March 31, 2010, we had \$420.9 million and \$307.8 million, respectively, in cash and cash equivalents and Treasury bills. The interest expense associated with our term loans and any loans under our revolving credit facility will vary with market rates.

Our exposure to market risk for changes in interest rates related to our outstanding debt is somewhat mitigated as the term loans under the Tranche B term facility and Tranche C term facility have LIBOR floors of 3% and 2%, respectively. A significant rise above current interest rate levels would be required to increase our interest expense related to Tranche B and Tranche C. An increase in market interest rates could result in increased interest expense associated with Tranche A, which accounted for 7.1% of our outstanding debt as of March 31, 2010 and which does not have a LIBOR floor. A hypothetical 1% increase in interest rates would increase interest expense related to the term facilities under our Senior Credit Facilities by approximately \$1.2 million on an annual basis, and likewise decrease our income and cash flows. A hypothetical increase of LIBOR to 4% would increase interest expense related to all term facilities under our Senior Credit Facilities by approximately \$16.9 million on an annual basis, and likewise decrease our income and cash flows. As of June 10, 2010, one-month LIBOR was 0.35%. The interest rate on our term loans under the Mezzanine Credit Facility is fixed at 13.0%.

The return on our cash and cash equivalents balance as of March 31, 2010 was less than 1%. Therefore, although investment interest rates may continue to decrease in the future, the corresponding impact to our interest income, and likewise to our income and cash flow, would not be material.

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

Off-Balance Sheet Arrangements

As of March 31, 2009 and 2010, we did not have any off-balance sheet arrangements.

Contractual Obligations

The following tables summarize our contractual obligations that require us to make future cash payments as of March 31, 2010 on a historical basis and on an as adjusted basis. For contractual obligations, we included payments that we have an unconditional obligation to make. The as adjusted contractual obligations presented below give effect to this offering and the use of the net proceeds therefrom as if these transactions occurred on March 31, 2010.

Contractual Obligations:	Total	Payments Due by Period			
		Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
		(In thousands)			
Long-term debt(a)	\$ 1,587,850	\$ 21,850	\$ 56,200	\$ 81,200	\$ 1,428,600
Operating lease obligations	287,676	74,447	106,777	69,886	36,566
Interest on indebtedness	812,118	141,677	279,989	272,898	117,554
Deferred payment obligation(b)	63,435				63,435
Liability to Rollover option holders(c)	54,351	6,976	29,422	17,953	

Edgar Filing: Booz Allen Hamilton Holding Corp - Form S-1

Tax liabilities for uncertain tax positions	FIN 48(d)	100,178	18,573	40,154	41,451	
Other		13,319			13,319	
Total contractual obligations		\$ 2,918,927	\$ 263,523	\$ 512,542	\$ 496,707	\$ 1,646,155

As Adjusted Contractual Obligations:	Total	Payments Due by Period			
		Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
		(In thousands)			
Long-term debt(a)	\$	\$	\$	\$	\$
Operating lease obligations	287,676	74,447	106,777	69,886	36,566
Interest on indebtedness					
Deferred payment obligation(b)	63,435				63,435
Liability to Rollover option holders(c)	54,351	6,976	29,422	17,953	
Tax liabilities for uncertain tax positions					
FIN 48(d)	100,178	18,573	40,154	41,451	
Other	13,319			13,319	
Total contractual obligations	\$	\$	\$	\$	\$

- (a) See Note 11 to our consolidated financial statements for additional information regarding debt and related matters.
- (b) Includes \$17.6 million Deferred Payment Obligation balance, plus current and future interest accruals.
- (c) Reflects liabilities to holders of stock options issued under our Officers Rollover Stock Plan related to the reduction in the exercise price of such options as a result of the July 2009 dividend and the December 2009 dividend.
- (d) Includes \$62.4 million of tax liabilities offset by amounts owed under the Deferred Payment Obligation. The remainder is related to other tax liabilities.

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

Capital Expenditures

Since we do not own any of our own facilities, our capital expenditure requirements primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support our operations. Direct costs billed to clients are not treated as capital expenses. Our capital expenditures for fiscal 2010 were \$49.3 million and the majority of such capital expenditures related to facilities infrastructure, equipment, and information technology. Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across our business. We also incur capital expenditures for IT to support programs and general enterprise information technology infrastructure.

Commitments and Contingencies

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

BUSINESS

Overview

We are a leading provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. We are a well-known, trusted and long-term partner to our clients, who seek our expertise and objective advice to address their most important and complex problems. Leveraging our 95-year consulting heritage and a talent base of approximately 23,300 people, we deploy our deep domain knowledge, functional expertise and experience to help our clients achieve their objectives. We have a collaborative culture, supported by our operating model, which helps our professionals identify and respond to emerging trends across the markets we serve and delivers enduring results for our clients. We have grown our revenue organically at an 18% CAGR over the 15-year period ended March 31, 2010, reaching \$5.1 billion in revenue in fiscal 2010.

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

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government. We derived 98% of our revenue in fiscal 2010 from services provided to over 1,300 client organizations across the U.S. government under more than 4,900 contracts and task orders. The single largest entity that we served in fiscal 2010 was the U.S. Army which represented 15% of our revenue in that period. Further, we have served our top ten clients, or their predecessor organizations, for an average of over 20 years. We derived 87% of our revenue in fiscal 2010 from engagements for which we acted as the prime contractor. Also during fiscal 2010, we achieved an overall win rate of 57% on new contracts and task orders for which we competed and a win rate of more than 92% on re-competed contracts and task orders for existing or related business. As of March 31, 2010, our total backlog, including funded, unfunded, and priced options, was \$9.0 billion, an increase of 24% over March 31, 2009.

We attribute the strength of our client relationships, the commitment of our people, and our resulting growth to our management consulting heritage and culture, which instills our relentless focus on delivering value and enduring results to our clients. We operate our business as a single profit center, which drives our ability to collaborate internally and compete externally. Our operating model is built on (1) our dedication to client service, which focuses on leveraging our experience and knowledge to provide differentiated insights, (2) our partnership-style culture and compensation system, which fosters collaboration and the efficient allocation of our people across markets, clients and opportunities, (3) our professional development and 360-degree assessment system, which ensures that our people are aligned with our collaborative culture, core values and ethics and (4) our approach to the market, which leverages our matrix of deep domain expertise in the defense, intelligence and civil markets and our strong capabilities in strategy and organization, analytics, technology and operations.

We are organized and operate as a corporation. Our use of the term *partnership* reflects our collaborative culture, and our use of the term *partner* refers to our Chairman and our Senior and Executive Vice Presidents. The use of the terms

partnership and partner is not meant to create any implication that we operate our company as, or have any intention to create a legal entity that is, a partnership.

Market Opportunity

We believe that the U.S. government is the world's largest consumer of management and technology consulting services. Its demand for such services remains strong, driven by the need to manage dynamic and complex issues such as the improvement and effectiveness of national security and homeland security programs, the establishment of new intelligence-gathering processes and infrastructure, protecting against cyber-security threats, and several civil agency reform initiatives. At the same time, the U.S. government is seeking to increase efficiency and improve existing procurement practices. Major changes and crises driven by shifting domestic priorities and external events produce shifts in government policies and priorities that create additional sources of demand for management and technology consulting services.

Large Addressable Markets

The U.S. government's budget for U.S. government fiscal year ended September 30, 2009 was \$3 trillion, excluding authorizations from the ARRA, Overseas Contingency Operations, and supplemental funding for the Department of Defense. Of this amount, \$1 trillion was for discretionary budget authority, including \$537 billion for the Department of Defense and \$490 billion for civil agencies. Based on data from the FPDS, approximately \$513 billion of the U.S. government fiscal year 2009 discretionary outlays were for non-intelligence agency and non-ARRA funding-related products and services procured from private contractors. We estimate that \$94 billion of the spending directed towards private contractors in U.S. government fiscal year 2009 was for management and technology consulting services, with \$61 billion spent by the Department of Defense and \$33 billion spent by civil agencies. The agencies of the U.S. Intelligence Community that we serve represent an additional market.

Focus on Efficiency and Transforming Procurement Practices

Focus on Efficiency. There is pressure across the U.S. government to control spending while also improving services for citizens and aggressively pursuing numerous important policy initiatives. This has led to an increased focus on accomplishing more with fewer resources, streamlining information services and processes, improving productivity and reducing fraud, waste and abuse. We believe that the U.S. government will require support in the form of the services that we provide, such as strategy and change management and organization and process improvement to implement these initiatives. Two efficiency initiatives currently being undertaken by the U.S. government are the most recent Base Realignment and Closure Program, and a rebalancing of defense forces and strategy in accordance with the 2010 QDR to more effectively meet the demands of current threats in a constrained fiscal environment. To streamline information services and processes and improve productivity, U.S. government agencies are making increased use of information technology, improving the deployment of human capital, and deploying better decision support systems. To reduce fraud, waste and abuse, both the Obama Administration and Congress have recently taken action to reduce improper payments made by the U.S. government to individuals, organizations and contractors that, according to the White House, amounted to \$98 billion in 2009. President Obama signed an Executive Order aimed at reducing improper payments in November 2009 and issued a memorandum ordering the expansion of payment recapture audits in March 2010, and the House of Representatives passed the Improper Payments Elimination and Recovery Bill in April 2010.

Transforming Procurement Practices. Economic pressure has also driven an emphasis on greater accountability, transparency and spending effectiveness in U.S. government procurement practices. Recent efforts to reform procurement practices have focused on (1) decreasing the use of Lead System Integrators, contractors that have historically been hired to execute large, complex and often defense-related acquisition programs, to avoid potential conflicts of interest and facilitate government oversight; (2) the unbundling of outsourced projects to link contract payments to specific milestones and project benchmarks in order to ensure timely delivery and adherence to required budgets and outlays and (3) the separation of certain types of work to facilitate objectivity and avoid or mitigate

specific OCI issues, which issues typically arise when providers of products to the U.S. government also provide systems engineering and technical assistance work, acquisition support and other consulting services related to the products being sold. A focus on OCI issues has resulted in legislation and a proposed regulation aimed at increasing OCI requirements, including, among other

things, separating sellers of products and providers of advisory services in major defense acquisition programs. We believe that the U.S. government's continued efforts to improve procurement processes will generate increased demand for objective management and technology consulting services.

Complex Defense, Intelligence and Civil Agency Requirements

The U.S. government continually reassesses and updates its long-term priorities and develops new strategies to address the rapidly evolving issues it faces. In order to deliver effective advice in this environment, service providers must possess a comprehensive knowledge of, and experience with, the participants, systems and technology employed by the U.S. government, and must also have an ability to facilitate knowledge sharing while managing varying objectives. For example, within the Department of Defense, the 2010 QDR prioritizes support for the war fighter and integrating intelligence, surveillance and reconnaissance systems with weapons and ground operations.

Within the U.S. Intelligence Community and across the U.S. government generally, the current priority is enhancing cyber-capabilities, including cyber-security, in the face of the continually evolving threat of terrorism and the increasing reliance of both the U.S. government and the private sector on critical information technology systems. In U.S. government fiscal year 2009, the U.S. government established CNCI to support and coordinate U.S. cyber initiatives. At the time of CNCI's establishment, the Washington Post reported that the U.S. government would spend approximately \$17 billion over seven years in connection with CNCI.

Within the civil agencies of the U.S. government, there has been an increased focus on financial regulation, energy and environmental issues, healthcare reform and infrastructure-related challenges. The transformation of the nation's healthcare system alone will require significant effort and investment to re-design processes and policies and communicate changes effectively to citizens and healthcare providers. Modernizing healthcare information technology systems is an essential element of this transformation as highlighted by President Obama's Budget Request for U.S. government fiscal year 2011, which includes an allocation of \$6.2 billion for the Department of Health and Human Services to improve and strengthen healthcare information technology and systems. We believe the U.S. government will rely on management and technology consulting service providers to provide research, consulting, implementation and improvement services to develop and manage programs across its various civil agencies and departments.

We believe that the initiatives resulting from these new priorities will result in increased demand for management and technology consulting services.

Major Changes Create Demand

Major changes in the government, political and overall economic landscape drive demand for objective management and technology consulting services and advice. These changes, which can be recurring in nature or more sudden and unexpected, create significant opportunities for us, as clients seek out service providers with the flexibility to rapidly deploy intellectual capital, resources and capabilities.

The inauguration of a new presidential administration is a recurring change that drives the need for objective analysis and advice to help develop and implement new policies and respond to evolving priorities. For example, one of the primary focuses of the Reagan administration was a build-up of U.S. defense forces, while the Clinton administration ushered in the era of e-Government by harnessing the power of the Internet for the first time. Similarly, the Obama administration has been focused on a range of domestic and foreign policy initiatives, including those related to the transformation of the healthcare system.

The attacks of September 11, 2001 and the recent financial crisis and economic downturn are examples of sudden and unexpected changes. These developments created urgent needs for changes to policy and the regulatory environment. In response to the September 11 attacks, the U.S. government created the Department of Homeland Security, fully integrating 22 previously distinct agencies to improve oversight and protection of the U.S. homeland. In response to the recent financial crisis, the U.S. government has pursued several programs to stabilize the U.S. and global economies, including the institution of the Troubled Assets Recovery Program, the Financial Recovery Act of 2009, and ARRA.

Our Value Proposition to Our Clients

As a leading provider of management and technology consulting services to the U.S. government, we believe that we are well positioned to grow across markets characterized by increasing and rapid change. We believe that our dedication to client service, the quality of our people, our management consulting heritage and our client-oriented matrix approach provide the strong foundation necessary for our continued growth.

Our People

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

Superior Talent Base. We have a highly educated talent base of approximately 23,300 people: as of March 31, 2010, 86% held bachelor degrees, 42% held masters degrees and 5% held doctoral degrees. In addition, many of the U.S. government contracts for which we compete require contractors to have high-level security clearances, and our large pool of cleared employees allows us to meet these needs. As of March 31, 2010, 74% of our people held government security clearances: 25% at Secret and 47% at Top Secret (55% of the latter were Top Secret/Sensitive Compartmented Information). Through internal referrals and external recruiting efforts, we are able to successfully renew and grow our talent base, and we believe that our ability to attract top level talent is significantly enhanced by our commitment to professional development, our position as a leader in our markets, the high quality of our work and the appeal of our culture. Each year, we typically receive more than 200,000 applications, conduct more than 15,000 interviews and hire approximately 5,000 new people, approximately half of which are hired as a result of referrals from our own people.

Focus on Talent Development. We develop our talent base by providing our people with the opportunity to work on important and complex problems, encouraging and acknowledging contributions of our people at all levels of seniority, and facilitating broad, inclusive and insightful leadership. We also encourage our people to continue developing their substantive skills through continuing education. In fiscal 2010, 73% of our people participated in one or more internal training courses, and 49% of our people took advantage of external training opportunities. Our learning programs, which have consistently been recognized as best-in-class in the industry, include partnerships with universities, vendors and online content providers. These programs offer convenient, cost-effective, quality educational opportunities that are aligned with our core capabilities.

Assessment System that Promotes Collaboration. We use our 360-degree assessment process to help promote and enforce the consistency of our collaborative culture, core values and ethics. Each of our approximately 23,300 people receives an annual assessment and also participates in the assessment of other company personnel. Assessments combine this internal feedback with market input, and each assessment is led by a Booz Allen person outside of the employee's area. Our assessment process is focused on facilitating the continued development of skills and career paths and ensuring the exchange of support and knowledge among our people.

Core Values. We believe that one of the key components of our success is our focus on core values. Our core values are: client service, diversity, excellence, entrepreneurship, teamwork, professionalism, fairness, integrity, respect and trust. All new hires receive extensive training that emphasizes our core values, facilitates their integration into our collaborative, client-oriented culture and helps to ensure the delivery of consistent and exceptional client service.

The emphasis that we place on our people yields recognized results. External awards and recognition include being named for several consecutive years as one of Fortune Magazine's 100 Best Companies to Work For, one of Consulting Magazine's Best Firms to Work For and one of Business Week's Best Places to Launch a Career.

Our Management Consulting Heritage

Our Approach to Client Service. Over the 70 years that we have been serving the U.S. government, we have cultivated relationships of trust with, and developed a comprehensive understanding of, our clients. This insight regarding our clients, together with our deep domain knowledge and capabilities, enable us to

anticipate, identify and address the specific needs of our clients. While working on contract engagements, our people work to develop a holistic understanding of the issues and challenges facing the client to ensure that our advice helps them achieve enduring results.

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

Our Client-Oriented Matrix Approach

We are able to address the complex and evolving needs of our clients and grow our business through the application of our matrix of deep domain knowledge and market-leading capabilities. Through this approach, we deploy our four key capabilities, strategy and organization, analytics, technology, and operations, across our client base. This approach enables us to quickly assemble and deploy, and redeploy when necessary, client-focused teams comprised of people with the skills and expertise needed to address the challenges facing our clients. We believe that our significant win rates on new and re-competed contracts demonstrate the strength of our matrix approach as well as our industry-leading reputation and our proven track record.

Our Strategy for Continued Growth

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

Expand Our Business Base

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

Deepen Our Existing Client Relationships. The complex and evolving nature of the challenges our clients face requires the application of different core competencies and capabilities. Our approach to client service and collaborative culture enables us to effectively cross-sell and deploy multiple services to existing clients. We plan to leverage our comprehensive understanding of our clients' needs and our track record of successful performance to grow our client relationships and expand the scope of the services we provide to our existing clients.

Help Clients Rapidly Respond to Change. We will continue to help our clients formulate rapid and dynamic responses to the frequent and sometimes sudden changes that they face by leveraging: the scope and scale of our domain expertise, our broad capabilities and our one-firm culture, which allow us to effectively and efficiently allocate our resources and deploy our intellectual capital.

Broaden Our Client Base. We intend to capitalize on our scale, the scope of our domain expertise and core capabilities, and our reputation as a trusted long-term partner to grow our client base. We believe that growing

demand for the types of services we provide and our ongoing business initiatives will enable us to leverage our reputation as a trusted partner and industry leader to cultivate new client relationships across all agencies and departments of the U.S. government. We will also continue to build on our current cyber-security related work in the commercial market as permitted under the terms of our non-competition agreement with Spin Co. We will explore new opportunities as those opportunities become available in the commercial market upon termination of those contractual

restrictions on July 31, 2011, particularly to the extent that we are able to leverage our core competencies, such as our domain expertise in energy, transportation, health and finance, and our functional capabilities, such as cyber and analytics.

Capitalize on Our Strengths in Emerging Areas

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

Cyber. Network-enabled technology now forms the backbone of our economy, infrastructure and national security, and recent national policies and initiatives in this area, including CNCI, are creating new cyber-related opportunities. We have been focused on cyber and predecessor areas, such as information assurance, since 1999. We are currently involved in cyber-related initiatives for our defense, intelligence and civil clients and cyber-security initiatives for commercial clients. We are focused on further developing our cyber capabilities to position our company as a leader across the broad and growing range of areas requiring cyber-related services.

Government Efficiency and Procurement. We are focused on helping the U.S. government achieve operating and budgetary efficiencies driven by the need to control spending while simultaneously pursuing numerous policy initiatives. In addition, recent U.S. government reforms in the procurement area may allow us to leverage our status as a large, objective service provider to win additional assignments to the extent that we are able to address OCI and similar concerns more easily than our competitors.

Ongoing Healthcare Transformation. We expect recent and ongoing developments in the healthcare market, such as the passage of the Affordable Care Act of 2010 and the Health Information Technology for Economic and Clinical Health Act of 2009, to increase demand for our healthcare consulting capabilities. We have been serving healthcare-oriented clients in the U.S. government since the late 1980s. In 2002, we began a focused expansion of our healthcare consulting business, and the current scale of that business, together with our technology-related capabilities, provide us with a strong platform from which to address our clients' increased focus on the interoperability of healthcare IT platforms, healthcare policy, and payment and caregiver reforms.

Systems Engineering & Integration. Our clients are increasingly utilizing SE&I services to help them manage every phase of the development and integration of increasingly sophisticated information technology, communications and mission systems—ranging from satellite and space systems to air traffic control and naval systems. Many SE&I engagements require the application of requisite competencies across the entire range of agencies or departments involved in a particular program. Through the application of our matrix, we have developed deep cross-market knowledge and a combination of engineering, acquisition, management and leadership expertise. We plan to leverage this knowledge and expertise to bid on large-scale SE&I contracts.

Continue to Innovate

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

our assurance and resilience services area, which generated approximately \$450 million of revenue in fiscal 2010 and which began in 1999 with our efforts to anticipate the challenges posed to federal agencies by IT proliferation; and

our healthcare consulting services area, which generated approximately \$280 million of revenue in fiscal 2010 and began in the late 1980 s with IT work for the Department of Health and Human Services, and expanded rapidly in 2002 as the result of an internal analysis of potential long-term trends which could affect federal health agencies.

We continue to invest in many initiatives at various stages of development. Three such initiatives are:

Cloud Computing. Cloud computing is Internet-based computing whereby shared resources, software and information are provided to computers and other devices on-demand without requiring new user infrastructure. The U.S. government has adopted cloud computing as its preferred information technology environment. Several pilot programs related to the U.S. government s transition to cloud computing are already in progress across its agencies, and cyber-initiatives designed to help ensure the integrity and security of cloud computing environments will be essential to the success of this transition.

Advanced Analytics. Through our advanced analytics capability, we utilize advanced mathematical and other analytical tools to examine the way in which specific issues relate to data on past, present and projected future actions. Advanced Analytics are critical to our clients efforts to translate the enormous volumes of data flowing from our nation s investments in information, communications and technology into insight, foresight and decision-making capacity.

Financial Sector. Specialized services are needed to help modernize payment processes, implement new technology to assist financial regulators, and reform and redefine the role and organization of agencies such as the Department of the Treasury, the SEC, the Federal Reserve and the Commodity Futures Trading Commission. In addition, financial services companies in the commercial market have extensive electronic networks and electronic payment processing that require the application of sophisticated cyber-security to deter and defend against cyber-criminals and other actors intent on compromising those systems.

Our Clients and Capabilities

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

Go-to-Market Matrix

Our Clients

We have strong and longstanding relationships with a diverse group of clients at all levels of the U.S. government.

Selected Long-Term Client Relationships

Client(1)	Relationship Length (Years)
U.S. Navy	70
U.S. Army	60
National Security Agency	25+
Department of Homeland Security	20+
U.S. Air Force	20+
National Reconnaissance Office	15+
A U.S. intelligence agency	15+
Department of Energy	15+
Federal Bureau of Investigation	15+
Internal Revenue Service	10+

(1) Includes predecessor organizations.

Defense Clients

Our reputation and track record in serving the U.S. military and defense agencies spans 70 years. Our defense business revenue represented 55% of our business based on revenue for fiscal 2010. Our revenue in this area for fiscal 2010 was approximately \$2.8 billion. Our key defense clients are set forth below.

U.S. Army. For over 60 years, we have addressed challenges for the U.S. Army at the strategic, operational and tactical levels by bringing experienced people, high quality processes and advanced technologies together. We work with our U.S. Army clients to help sustain their land combat capabilities while responding to current demands and preparing for future needs. Recent examples of the services that we have provided include enhancing field intelligence systems, delivering rapid response solutions to counter improvised explosive devices, infusing lifecycle sustainment capabilities to improve distribution and delivery of material, and employing systems and consulting methods to help expand care and support for soldiers and their families. Our clients include Army Headquarters, Army Material Command (AMC), Forces Command (FORSCOM), Training and Doctrine Command (TRADOC), and many Program Executive Offices, Direct Reporting Units and Army Service Component Commands.

U.S. Navy/Marine Corps. We have supported the U.S. Navy for 70 years. We employ a multidimensional approach that analyzes and balances people, processes, technology, and infrastructure to meet their missions of equipping global forces for greater flexibility, mobility and efficiency, sustaining results while reducing costs and integrating new technology. Our clients include the Office of the Secretary of the Navy, Chief of Naval Operations, the Commandant of the Marine Corps to the Office of Naval Intelligence and U.S. Navy/Marine Corps operating commands and systems commands, as well as the Joint Program Executive Offices (PEO) and individual PEOs such as Naval Air Systems Command (NAVAIR), Naval Seas Systems Command (NAVSEA), U.S. Marine Corps Systems Command, and Space and Naval Warfare (SPAWAR).

U.S. Air Force/NASA/Aerospace. We provide integrated strategy and technical services to the U.S. Air Force. Our skilled strategists and technology experts bring diverse capabilities to assignments that include weapons analysis, capability-based planning and aircraft systems engineering. We also support the space industry in applying new technologies, integrating space operations, and using strategies to address the technical issues, cost, schedule and risk of space systems. Our clients include Air Combat Command, Air Force Space Command, Air Force Materiel Command, Air Mobility Command, Air Force Special Operations Command, Air Force Cyber Command, Air Force Pacific Command and the U.S. Air Forces in Europe, NASA, the Defense Information Systems Agency (DISA), the National Reconnaissance Office (NRO) and the National Geospatial-Intelligence Agency (NGA).

Joint Staff and Combatant Commands. We provide mission-critical support to the Office of the Secretary of Defense, the Joint Staff, the Combatant Commands (COCOMs), and other U.S. government departments and agencies during the planning and mission execution phases to meet global mission requirements ranging from integrated intelligence, surveillance and reconnaissance (ISR) to space and global strike operations. Our clients include most major organizations within the Office of the Secretary of Defense and the Department of Defense's agencies, as well as Joint Forces Command, Pacific Command, Northern Command, Central Command, Southern Command, European Command, Strategic Command, Special Operations Command, and Transportation Command.

Intelligence Clients

We have provided the primary group of government agencies and organizations that carry out intelligence activities for the U.S. government, or the U.S. Intelligence Community, with forward-thinking, success-oriented consulting and mission support services in analysis, systems engineering, program management, operations, organization and change management, budget and resource management, studies and wargaming. This critical business area has strong barriers to entry for competitors because of the specialized expertise and high-level security clearances required. Our intelligence business represented 21% of our business based on

revenue for fiscal 2010. Revenue in this area for fiscal 2010 was approximately \$1.0 billion. Our major intelligence clients include:

U.S. Intelligence Agencies. We provide critical support in strategic planning, policy development, program development and execution, information sharing, architecture, and program management for research and development projects as well as support to reform initiatives flowing from the Intelligence Reform and Terrorism Protection Act. We help clients improve the processes and substance of intelligence information provided to the executive and legislative branches of the U.S. government for policy development and operational decision making.

Joint Staff and Unified Combatant Commands. We deliver comprehensive intelligence analysis, including providing all-source intelligence analysis and open-source intelligence analysis conducted in high intensity environments. We also provide data collection management and analytical systems intelligence training services, and provide intellectual capital and best practices for intelligence activities.

Military Intelligence. We provide consulting services, integrated intelligence and information operations mission support, and a range of counterintelligence services to the U.S. Army, U.S. Air Force, U.S. Navy, Marine Corps, and Defense Intelligence Agency.

Civil Clients

Support to civil government agencies of the U.S. government and U.S.-funded international development work has grown significantly as a percentage of our overall business. The FPDS ranks us 16th on its overall list of top 100 federal contractors for federal fiscal year 2009 based on overall prime contracting dollars. For that same period and using the same data, we estimate that we ranked 23rd based on overall prime contracting dollars in the civil clients. Our civil business represented 24% of our business based on revenue for fiscal 2010. Revenue in this area for fiscal 2010 was approximately \$1.2 billion. Our civil government clients include:

Financial Services. We provide support to all major U.S. government finance and treasury organizations charged with the collection, management and protection of the U.S. financial system, including the Department of the Treasury, Internal Revenue Service and other agencies of the Department of the Treasury, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board and Banks, the SEC, and Pension Benefit Guaranty Corporation. We create innovative approaches to some of their most challenging problems, including bank receivership, payment channel modernization, cyber initiatives and fraud detection.

Health. We support government clients on innovative projects that help achieve public health missions, including entitlement reform, developing a national health information network, mitigating risk to populations, improving government infrastructure, and facilitating an international public-private sector dialogue on international health issues. Our clients include the Department of Health and Human Services and its agencies, including the U.S. Food and Drug Administration, National Institutes of Health, Centers for Disease Control and Prevention (CDC), the Centers for Medicare and Medicaid Services, the Department of Defense Military Health System and Department of Veterans Affairs.

Energy, Transportation and Environment. We support clients in the transportation, energy and environment sectors which have control over our national infrastructure. We support our clients' efforts to maintain and build infrastructure that is efficient, effective and sustainable. Our services include strategy, operations, technology and engineering. Our clients include the Departments of Energy, Transportation, and Interior and their component agencies, and the Environmental Protection Agency. We also support the Department of Defense in

major environmental and infrastructure programs in the United States and Europe.

Justice and Homeland Security. We support the U.S. government's homeland security mission and operations in the areas of intelligence (analysis, information sharing, and risk assessment), operations (coordination, contingency planning, and decision support), strategy, technology and management

(program management and information technology tools), emergency management and response planning, and border, cargo and transportation security. We support law enforcement missions and operations in counterterrorism, intelligence and counterintelligence, and traditional criminal areas (narcotics, white collar crime, organized crime, and violent crime).

Business of Government. We help agencies effectively and efficiently manage the business processes that support government in its provision of services to its citizens, spanning management, personnel, budget operations, information technology and telecommunications. Our clients include the General Services Administration, Office of Management and Budget, Office of Personnel Management, the Congress, and Courts. We also support public sector grant-making agencies, from health and education, to labor and homeland and economic security, serving clients such as the Departments of Agriculture, Homeland Security, Commerce, Education, Labor, and Housing and Urban Development, as well as the National Science Foundation. In addition, we serve our U.S. government clients abroad in helping them resolve systemic global development needs. Our clients include the U.S. Agency for International Development, the Department of State, Millennium Challenge Corporation, and the World Bank.

Our Capabilities

Strategy and Organization

Our strategy and organization capability focuses on helping clients define and achieve their strategic objectives. We provide transformational programs to improve organizational effectiveness, manage change, and enable client organizations to improve their performance. Our Transformation Life Cycle™ framework and Change Management Advanced Practitioner program provide a proven methodology and credentialed experts to help clients succeed. Our areas of expertise include:

Strategy and change management, helping clients formulate business strategies to meet their mission, and transforming key elements within organizations such as people, processes, technology and physical infrastructure;

Organization and process improvement, redesigning an organization's structure to fit its mission and strategy, aligning its business purpose, and improving operations and performance through business process reengineering, knowledge management, strategic sourcing, shared services and lean six sigma methodologies; and

Human capital, learning and communications, helping clients build new capabilities and increasing workforce performance through competency identification and development of learning programs, designing programs to better manage the workforce for high performance, and building stakeholder understanding and buy-in.

Analytics

Our analytics capability includes advanced analysis, modeling, simulation, war-gaming and accountability tools to help our clients make informed decisions about threats and opportunities, and the practical realities of turning decisions into action, such as resource availability. Our areas of expertise include:

Business analytics, enabling our clients to optimize decisions regarding resources through financial and economic analysis, financial stewardship and accountability and disciplined contract strategy and program controls;

Intelligence and operations analytics, providing a full spectrum of intelligence analysis, innovative all-source analysis, analytic training and counter-intelligence services to meet persistent challenges and guard against new threats;

Mission and performance analytics, enhancing our clients' ability to weigh alternative futures and make sound decisions that are supported by rigorous methods, including capabilities based assessments, modeling and simulation, policy analysis, threat, vulnerability and risk analysis and war-games; and

Advanced analytics, developing capabilities to exploit very large amounts of information through the use of advanced mathematical techniques to gain insights, create foresight and make predictions to support fact-based decision making for our clients.

Technology

Our technology capability focuses on helping clients solve their mission-critical objectives through the deployment of advanced technology. We have more than 7,600 highly skilled technology experts and engineers who maintain deep knowledge of the latest leading technologies. Our experts combine their specialized skills with our problem-solving approach to ensure that we understand a client's mission and objectives and, based on that understanding, design, develop and implement the optimum technology solution. Our areas of expertise include:

Cyber technologies, enabling clients to execute their missions in cyberspace with trusted and secure networks, systems, and information and delivering solutions for full life cycle support, information exchange, collaboration, transportation, and information storage;

SE&I, developing, acquiring, testing and integrating complex systems, integrated acquisition management, program and technical integration, and program and organizational leadership design;

Systems development, designing and deploying information technology solutions, including software development to automate business processes, improve client service, solve mission requirements, and share information effectively and securely; and

Strategic technology and innovation, identifying and incubating advanced technologies, innovation processes, and innovation management critical to the achievement of our clients' goals.

Operations

Our operations capability is focused on the full spectrum of mission execution and delivery from front-end acquisition and program management to infrastructure design and end-to-end supply chain management. Our operations capability helps our clients formulate and implement a strategy to achieve tangible results. Our areas of expertise include:

Acquisition and program management, enabling clients to originate, plan, and execute programs of all types and complexity across the entire program or product lifecycle, including program and project management, acquisition and life cycle services and program integration;

Infrastructure, developing sustainable strategies and executing plans to solve complex challenges across the many natural and man-made infrastructure environments to facilitate a safe, efficient, effective and sustainable project;

Mission and industry expertise, supporting clients across planning and policy development, capability development and management, conceptual and operational requirements, and mission readiness and operational support; and

Supply chain and logistics, formulating and executing supply chain strategies and mission-specific logistics solutions to optimize material, data and human capital flows designed to achieve our clients' targets for cost, readiness and operational performance.

Client Case Examples

Our projects require a comprehensive understanding of our clients and their needs, and we have developed a multi-dimensional and adaptable skill set that allows us to provide services under each of our capability areas across our client base. The case examples below illustrate how we have deployed our skill-sets in the strategy and organization, analytics, technology and operations capability areas to provide services to our clients.

We developed a methodology that dramatically improves the design, cost and management of major weapons programs that we refer to as Design for Affordability, and worked closely with the U.S. Navy to achieve significant cost reductions. Launched in 2004, the first Virginia-class submarine cost more than \$3.2 billion to build, which exceeded estimates provided to U.S. Navy officials for this class of over 30 boats. The Chief of Naval Operations subsequently set a target cost of \$2 billion per submarine as a condition for increasing production from one to two boats per year starting in 2012. Electric Boat, the prime contractor, engaged us as a subcontractor to develop a comprehensive strategy for permanently reducing costs to \$2 billion per boat. Our Design for Affordability methodology achieved positive results, which led to the U.S. Navy directly hiring us to extend our methodology across other parts of the submarine value chain in the areas of operations and sustainability. The Design for Affordability methodology utilizes our operations, strategy and organization and analytics capabilities, and we can apply this methodology to help the U.S. government achieve cost-savings in other large acquisition programs such as those for aircraft and combat vehicles.

We are working with a major client in the U.S. Intelligence Community on cloud computing. We are employing cloud technologies to store, manage, and perform advanced analytics on massive volumes of data to identify patterns that reveal larger trends, yield new insights, and ultimately capture cyber actors' behavior. In support of our client, we utilize our technology and analytics capabilities to analyze huge stores of historical data in the cloud and build statistical models to understand the behavior, intent, and potential future targets of adversaries attempting to conduct attacks or crimes in cyberspace. Improved cyber analysis using cloud technologies is highly useful for government agencies striving to better share information and integrate intelligence.

We worked with the CDC to improve its process for ordering, distributing and managing the U.S.'s supply of publicly-funded childhood vaccines through the Vaccines for Children program, a \$3 billion-dollar-a-year initiative that reaches half of all American children. The CDC mission was to respond more effectively to public health crises such as disease outbreaks, vaccine shortages, natural disasters and disruptions of the vaccine supply. We utilized our strategy and organization, operations and technology capabilities and leveraged our expertise in supply chain management, information management and change management to redesign the CDC's procurement and storage process to allow them to ship inventory in hours instead of weeks. We helped the CDC integrate 64 grantees with formerly separate supply and distribution systems into a single, centrally managed supply chain that has shipped millions of doses of vaccines and realized \$496 million in overall one-time savings with the potential for recurring annual savings.

Contracts

Our portfolio of contracts is highly diversified with no single contract accounting for more than 9% of our revenue in any of fiscal 2008, pro forma 2009 or fiscal 2010, and no single task order under any contract accounting for more than 1% of our revenue in any of fiscal 2008, pro forma 2009 and fiscal 2010. In fiscal 2010, we derived 30% of our revenue from our top 10 contracts and contract vehicles, and over 50% of our revenue was derived from individually awarded task orders under a large number of ID/IQ contract vehicles.

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

Definite contracts call for the performance of specified services or the delivery of specified products. The U.S. government procures services and solutions through single award, definite contracts that specify the scope of services that will be delivered and identify the contractor that will provide the specified services. When an agency recognizes a need for services or products, it develops an acquisition plan, which details the means by which it will procure those services or products. During the acquisition process, the agency may release a

request for information to determine if qualified bidders exist, a draft request for a proposal to allow industry to comment on the scope of work and acquisition strategy, and finally a formal request for a proposal. Following the evaluation of submitted proposals, the agency will award the contract to the winning bidder.

Indefinite contract vehicles provide for the issuance by the client of orders for services or products under the terms of the contract. Indefinite contracts are formally known as indefinite delivery, indefinite quantity or ID/IQ contracts, and are often referred to as contract vehicles or ordering contracts. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Under a multiple award ID/IQ contract, there is no guarantee of work as contract holders must compete for individual work orders. ID/IQ contracts will often include pre-established labor categories and rates, and the ordering process is streamlined (usually taking less than a month from recognition of a need to an established order with a contractor). ID/IQ contracts often have multi-year terms and unfunded ceiling amounts, thereby enabling but not committing the U.S. government to purchase substantial amounts of products and services from one or more contractors in a streamlined procurement process.

- i GWACs and GSA schedules are ID/IQ contracts that are open to all U.S. government agencies. Contract holders compete for individual task orders under both types of ID/IQ contract vehicles. Prices (labor rates) are pre-established under GSA schedules, while prices under GWACs may be pre-established or determined by task order proposal. Agencies may solicit companies directly under GSA schedules and, under GWACs, must work through the agency that operates the GWAC or receive a delegation of authority to use the GWAC. GSA schedules are administered by the General Services Administration and support a wide range of products and services. GWACs are used to procure IT products and services and are administered by the agency soliciting the services or products, with permission from the Office of Management and Budget.

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 that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

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

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

	The Company	
	As of March 31,	
	2009	2010
	(In millions)	
Backlog:		
Funded	\$ 2,392	\$ 2,528

Unfunded	1,968	2,453
Priced options	2,919(1)	4,032(1)
Total backlog	\$ 7,279	\$ 9,013

(1) Amounts shown reflect 100% of the undiscounted revenue value of all priced options.

We may never realize all of the revenue that is included in our total backlog, and there is a higher degree of risk in this regard with respect to unfunded backlog and priced options.

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

Total backlog grew 24% from March 31, 2009 to March 31, 2010. We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period. While we report internally on our backlog on a monthly basis and review backlog upon the occurrence of certain events to determine if any adjustments are necessary, we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue are program schedule changes and contract modifications. Additional risks include 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, and, in the case of unfunded backlog, the potential that funding will not be available and in the case of priced options, the risk that our clients will not exercise these options. See Risk Factors Risks Related to Our Business We may not realize the full value of our backlog, which may result in lower than expected revenue.

Competition

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

In the course of doing business, we compete and collaborate with companies of all types. We strive to maintain positive and productive relationships with these organizations. Some of them hire us as a subcontractor, and we hire some of these other contractors to work with us as our subcontractors. Our major competitors include: (i) contractors focused principally on the provision of services to the U.S. government, such as CACI International, Inc., L-3 Communications Holdings, Inc., ManTech International Corp., SRA International, Inc., and TASC Inc.; (ii) large defense contractors which provide both products and services to the U.S. government, such as The Boeing Company, General Dynamics Corp., Lockheed Martin Corp., Northrop Grumman Corp., and Raytheon Co.; and (iii) diversified service providers, such as Accenture, Computer Sciences Corp., Deloitte Consulting LLP and SAIC, Inc. We compete on the basis of our technical expertise and client knowledge, our ability to successfully recruit appropriately skilled and experienced talent, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationship with our clients, past performance, security clearances, and the size and scale of our company.

Patents and Proprietary Information

Our management and technology consulting services and related products are not generally dependent upon patent protection. We claim a proprietary interest in certain of our service offerings and related products, methodologies and know-how. We have several patents but we do not consider our business to be materially dependent on the protection

of such patents. Additionally, we have a number of trade secrets that contribute to our success and competitive position, and we endeavor to protect this proprietary information. While protecting trade secrets and proprietary information is important, we are not materially dependent on any

specific trade secret or group of trade secrets. Other than licenses to commercially available third-party software, we have no licenses to intellectual property that are significant to our business.

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

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

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

Facilities

We do not own any facilities or real estate. Our corporate headquarters are located at 8283 Greensboro Drive, McLean, Virginia 22102. We lease other operating offices and facilities throughout North America, and a limited number of overseas locations. Our principal offices outside of McLean, Virginia include: Annapolis Junction, MD; Rockville, MD; San Diego, CA; and Herndon, VA. Additionally, nationwide we have approximately 30 Department of Defense approved locations that support classified U.S. government operations. We also have a number of Sensitive Compartmented Information Facilities, which are enclosed areas within buildings that are used to perform classified work for the U.S. Intelligence Community. Many of our employees are located in facilities provided by the U.S. government. The total square footage of our leased offices and facilities is approximately 2.9 million square feet. We believe our facilities meet our current needs, and that additional facilities will be required and available as we expand in the future.

Regulation

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

FAR, and agency regulations supplemental thereto, which regulate the formation, administration and performance of U.S. government contracts;

the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of a contract, modification or task order;

the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;

post government employment laws and regulations, which restrict the ability of a contractor to recruit, hire, and deploy former employees of the U.S. government;

laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services and technical data; and

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

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

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

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

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

Legal Proceedings

Our performance under our U.S. government contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review and investigation by the U.S. government. Given the nature of our business, these audits, reviews and investigations may focus, among other areas, on 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 charging. 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 monetary damages in varying amounts that currently range up to \$26.2 million 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, our management does 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.

Six former officers and stockholders of the Predecessor who had departed the firm prior to the Acquisition have filed a total of nine suits against the Company and certain of the Company's current and former directors and officers. Each of the suits arises out of the Acquisition and alleges that the former stockholders are entitled to certain payments that they would have received if they had held their stock at the time of the Acquisition. The various suits assert claims for breach of contract, tortious interference with contract, breach of fiduciary duty, civil RICO violations, and/or securities and common law fraud. Two of these suits have been dismissed and another has been dismissed but the former stockholder has sought leave to re-plead. Five of the remaining suits are pending in the United States District Court for the Southern District of New York and the sixth is pending in the United States District Court for the Southern District of California. The aggregate alleged damages sought in the six remaining suits is approximately \$197 million (\$140 million of which is sought to be trebled pursuant to RICO), plus punitive damages, costs, and fees. Although the outcome of any of these cases is inherently uncertain and may be materially adverse, based on current information, our management does not expect them to have a material adverse effect on our financial condition and results of operations.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of June 17, 2010:

Name	Age	Position
Ralph W. Shrader	65	Chairman of the Board, President and Chief Executive Officer
Samuel R. Strickland	59	Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Director
CG Appleby	63	Executive Vice President, General Counsel and Secretary
Horacio D. Rozanski	42	Executive Vice President, Chief Strategy and Talent Officer
Joseph E. Garner	62	Executive Vice President
Francis J. Henry, Jr.	58	Executive Vice President
Lloyd Howell, Jr.	44	Executive Vice President
Joseph Logue	45	Executive Vice President
Joseph W. Mahaffee	53	Executive Vice President
John D. Mayer	64	Executive Vice President
John M. McConnell	66	Executive Vice President
Patrick F. Peck	52	Executive Vice President
Daniel F. Akerson	61	Director
Peter Clare	45	Director
Ian Fujiyama	37	Director
Philip A. Odeen	74	Director
Charles O. Rossotti	69	Director

Prior to October 2009, the title of our most senior position other than Chief Executive Officer was Senior Vice President. In October 2009, we renamed our Senior Vice Presidents as Executive Vice Presidents.

Ralph W. Shrader is our Chairman, Chief Executive Officer and President and has served in these positions since 1999, except for President which dates to the Acquisition in 2008. Dr. Shrader has been an employee of our company since 1974. He is the seventh chairman since our company's founding in 1914 and has led our company through a significant period of growth and strategic realignment. Dr. Shrader is active in professional and charitable organizations, and is past Chairman of the Armed Forces Communications and Electronics Association. He is Chairman of The Neediest Kids, Inc. charity and serves on the board of directors of Abilities, Inc., an organization dedicated to improving career opportunities for individuals with disabilities, and the board of directors of ServiceSource, the largest community rehabilitative program in Virginia.

Specific qualifications, experience, skills and expertise include:

Operating and management experience;

Understanding of government contracting;

Core business skills, including financial and strategic planning; and

Deep understanding of our company, its history and culture.

Samuel R. Strickland is an Executive Vice President and our Chief Financial and Administrative Officer. He has served as our Chief Administrative Officer since 1999 and Chief Financial Officer since 2008. He joined our company in 1995, and became an Executive Vice President in 2004. Mr. Strickland is a member of

the Finance and Operations Group and the Chief Information Officer (CIO) Leadership Council. Mr. Strickland serves on the Board of Trustees at the George Mason University Foundation, Inc.

Specific qualifications, experience, skills and expertise include:

Finance, financial reporting, compliance and controls expertise;

Understandin