
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the three months ended September 27, 2008

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

Commission File Number 333-145355



VANGENT, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1961427
(IRS Employer
Identification No.)

**4250 North Fairfax Drive
Suite 1200
Arlington, Virginia 22203
(703) 284-5600**

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

Indicate by check mark whether the registrant 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

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

There were 100 shares of common stock of Vangent, Inc. issued and outstanding at September 27, 2008.

VANGENT, INC.
(formerly Pearson Government Solutions Business)
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Forward-Looking Statements

This quarterly report on Form 10-Q contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as expectation or belief concerning future events. Forward-looking statements involve risks and uncertainties. Without limiting the foregoing, the words “believes,” “thinks,” “anticipates,” “plans,” “expects,” “could,” “estimates,” “intends,” “may,” and similar expressions, or the negative thereof, are intended to identify forward-looking statements. The Company cautions that these statements are further qualified by important economic, competitive, governmental and technological factors that could cause our business, strategy or actual results of operations or events to differ materially from those in the forward-looking statements, including, without limitation, changes in the demand for services that the Company provides; pursuit of new business in the United States and abroad; activities of competitors; bid protests; changes in operating expenses; our substantial debt; changes the in availability of capital; and general economic and business conditions. Accordingly, such forward-looking statements do not purport to be predictions of future events or circumstances, and there can be no assurance that any forward-looking statement contained herein will prove to be accurate. The Company assumes no obligation to update the forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Vangent, Inc.
(formerly Pearson Government Solutions Business)
Condensed Consolidated Balance Sheets
(in thousands, except share and per-share amounts)
(unaudited)

	<u>December 31, 2007</u>	<u>September 27, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,093	\$ 18,091
Trade receivables, net	112,292	111,718
Other receivables and prepaid items	<u>15,470</u>	<u>14,958</u>
Total current assets	153,855	144,767
Property and equipment, net	27,579	30,023
Intangible assets, net	198,027	183,330
Goodwill	301,873	303,747
Deferred debt financing costs, net	12,448	10,751
Other assets	286	94
Total assets	<u>\$ 694,068</u>	<u>\$ 672,712</u>
Liabilities and Stockholder's Equity		
Current liabilities:		
Current portion of long-term debt	\$ 7,325	\$ —
Accounts payable	36,981	27,743
Accrued expenses	26,267	32,145
Accrued interest	8,547	3,395
Deferred tax liability	852	4,098
Advance payments on contracts	<u>4,444</u>	<u>2,537</u>
Total current liabilities	84,416	69,918
Long-term debt, net of current portion	420,875	420,366
Other long-term liabilities	3,863	6,689
Deferred tax liability	<u>4,625</u>	<u>5,924</u>
Total liabilities	<u>513,779</u>	<u>502,897</u>
Commitments and contingencies (Note 8)		
Stockholder's equity:		
Common stock, \$0.01 par value, 1,000 shares authorized, and 100 shares issued and outstanding	—	—
Additional paid-in capital	205,275	206,114
Accumulated other comprehensive loss	(2,937)	(2,826)
Accumulated deficit	<u>(22,049)</u>	<u>(33,473)</u>
Total stockholder's equity	180,289	169,815
Total liabilities and stockholder's equity	<u>\$ 694,068</u>	<u>\$ 672,712</u>

See notes to condensed consolidated financial statements.

Vangent, Inc.
 (formerly Pearson Government Solutions Business)
Condensed Consolidated Statements of Operations
 (in thousands)
 (unaudited)

	Successor Entity		Predecessor Entity	Successor Entity	
	Three Months Ended September 29, 2007	Three Months Ended September 27, 2008		Period January 1 to February 14, 2007	Period February 15 to September 29, 2007
Revenue	\$ 129,610	\$ 133,391	\$ 58,833	\$ 303,656	\$ 400,800
Cost of revenue	103,983	106,470	48,187	254,096	329,570
Gross profit	25,627	26,921	10,646	49,560	71,230
General and administrative expenses	11,544	12,445	9,383	29,982	38,702
Selling and marketing expenses	4,190	3,757	1,940	11,039	11,963
Operating income (loss)	9,893	10,719	(677)	8,539	20,565
Interest expense	10,091	8,719	34	24,651	26,895
Interest income	(360)	(185)	(44)	(561)	(634)
Income (loss) before income taxes	162	2,185	(667)	(15,551)	(5,696)
Provision (benefit) for income taxes	1,566	2,632	(292)	4,502	5,728
Net loss	\$ (1,404)	\$ (447)	\$ (375)	\$ (20,053)	\$ (11,424)

See notes to condensed consolidated financial statements.

Vangent, Inc.
(formerly Pearson Government Solutions Business)
Condensed Consolidated Statements of Owner's/Stockholder's Equity and Comprehensive Income (Loss)
(in thousands, except share amounts)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Intercompany Investment in Subsidiary</u>	<u>Accumulated Deficit</u>	<u>Total Owner's/ Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Predecessor Entity							
Balance, December 31, 2006	—	\$ —	\$ —	\$ (5,502)	\$ 534,586	\$ —	\$ 529,084
Foreign currency translation adjustment	—	—	—	(166)	—	—	(166)
Net loss	—	—	—	—	(375)	—	(375)
Total comprehensive loss							(541)
Equity transfers and investment	—	—	—	—	13,310	—	13,310
Balance, February 14, 2007	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (5,668)</u>	<u>\$ 547,521</u>	<u>\$ —</u>	<u>\$ 541,853</u>
Successor Entity							
Balance, February 15, 2007	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Effect of hedging activities, net of tax	—	—	—	(1,040)	—	—	(1,040)
Foreign currency translation adjustment	—	—	—	313	—	—	313
Net loss	—	—	—	—	—	(20,053)	(20,053)
Total comprehensive loss							(20,780)
Issuance of common stock	100	—	203,466	—	—	—	203,466
Balance, September 29, 2007	<u>100</u>	<u>\$ —</u>	<u>\$203,466</u>	<u>\$ (727)</u>	<u>\$ —</u>	<u>\$ (20,053)</u>	<u>\$ 182,686</u>
Balance December 31, 2007	100	\$ —	\$205,275	\$ (2,937)	\$ —	\$ (22,049)	\$ 180,289
Effect of hedging activities, net of tax	—	—	—	821	—	—	821
Foreign currency translation adjustment	—	—	—	(710)	—	—	(710)
Net loss	—	—	—	—	—	(11,424)	(11,424)
Total comprehensive loss							(11,313)
Equity-based compensation	—	—	839	—	—	—	839
Balance, September 27, 2008	<u>100</u>	<u>\$ —</u>	<u>\$206,114</u>	<u>\$ (2,826)</u>	<u>\$ —</u>	<u>\$ (33,473)</u>	<u>\$ 169,815</u>

See notes to condensed consolidated financial statements.

Vangent, Inc.
(formerly Pearson Government Solutions Business)
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Predecessor Entity	Successor Entity	
	Period January 1 to February 14, 2007	Period February 15 to September 29, 2007	Nine Months Ended September 27, 2008
Cash flows from operating activities			
Net loss	\$ (375)	\$ (20,053)	\$ (11,424)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Amortization of intangibles	132	12,953	15,851
Depreciation and amortization	2,237	7,800	10,475
Equity-based compensation expense	1,477	475	839
Deferred income taxes	(19)	3,749	4,889
Changes in operating assets and liabilities, net of effect of acquisitions:			
Trade receivables	(16,445)	1,255	574
Other receivables and prepaid and other assets	343	(14,486)	2,886
Accounts payable and accrued liabilities	(5,047)	21,350	(6,214)
Accrued interest payable	—	4,686	(5,152)
Advance payments on contracts	(1,206)	(1,736)	(1,907)
Other	7	—	125
Net cash (used in) provided by operating activities	(18,896)	15,993	10,942
Cash flows from investing activities			
Acquisitions, net of cash acquired	—	(615,206)	(3,892)
Capital expenditures	(3,727)	(4,412)	(6,796)
Net cash used in investing activities	(3,727)	(619,618)	(10,688)
Cash flows from financing activities			
Proceeds from issuance of common stock	—	203,466	—
Borrowings under revolving credit facility	—	15,000	—
Repayment of borrowing under revolving credit facility	—	(15,000)	—
Proceeds from issuance of senior secured term loan	—	240,000	—
Repayment of senior secured term loan	—	(1,200)	(7,834)
Proceeds from issuance of senior subordinated notes	—	190,000	—
Debt financing costs	—	(14,013)	—
Investment from parent	13,310	—	—
Capital lease payments	(39)	(131)	(205)
Net cash provided by (used in) financing activities	13,271	618,122	(8,039)
Effect of exchange rate changes on cash equivalents	(166)	499	(217)
Net (decrease) increase in cash and cash equivalents	(9,518)	14,996	(8,002)
Cash and cash equivalents, beginning of period	11,713	—	26,093
Cash and cash equivalents, end of period	\$ 2,195	\$ 14,996	\$ 18,091
Supplemental noncash investing and financing activities:			
Leasehold improvements provided under operating lease	\$ —	\$ —	\$ 2,503
Supplemental cash flow information			
Interest paid	\$ —	\$ 18,470	\$ 30,361
Income taxes paid	35	524	405

See notes to condensed consolidated financial statements.

Vangent, Inc.
(formerly Pearson Government Solutions Business)
Notes to Condensed Consolidated Financial Statements
(in thousands)
(unaudited)

1. Organization and Basis of Presentation

Basis of Presentation

Vangent, Inc. (“Vangent” or “Company” or “Successor Entity”) (formerly Pearson Government Solutions Business) is a 100%-owned subsidiary of Vangent Holding Corp. Vangent Holding LLC (formerly PGS Holding LLC) is the majority shareholder in Vangent Holding Corp. Vangent Holding LLC is 90% owned by The Veritas Capital Fund III, L.P. and 10% owned by Pearson plc (“Pearson”).

On February 14, 2007, The Veritas Capital Fund III, L.P., Vangent Holding LLC (“Buyer Parent”) and Vangent Holding Corp. (“Buyer”) consummated a stock purchase agreement with Pearson and certain other seller entities under which the Buyer acquired all of the equity interests of Pearson Government Solutions (“Predecessor Entity”).

The condensed consolidated financial statements for the Predecessor Entity were prepared from Pearson’s accounting records and are presented on a carve-out basis to include the results of operations applicable to the managed group of entities under Pearson known as Pearson Government Solutions Business. Owner’s equity is presented for the Predecessor Entity in lieu of stockholder’s equity. Unaudited consolidated financial statements for the Predecessor Entity are presented for the period January 1 to February 14, 2007. As a result of the application of the purchase accounting method and the valuation of assets and liabilities at fair value as of the date of the acquisition, the consolidated financial statements of the Successor Entity are not comparable with the Predecessor Entity.

The unaudited condensed consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries and have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted pursuant to the applicable rules and regulations. The Company believes that all disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2007.

In the opinion of management, all normal and recurring adjustments necessary to fairly present the financial position and results of operations as of and for the periods presented have been included. The results of operations presented are not necessarily indicative of the results to be expected for the full fiscal year or for any future periods. The Company uses estimates and assumptions in the preparation of its financial statements. The estimates are primarily based on historical experience and business knowledge and are revised as circumstances change. Actual results could differ materially from those estimates.

Nature of Operations

Vangent serves customers in the U.S. government, international governments, higher education, and the commercial human resource management sector. The Company’s primary customer focus is U.S. and international governmental agencies which utilize third-party providers to design, build and operate technologically advanced systems. The Department of Health and Human Services (“HHS”) represented 46% and the Department of Education (“DoED”) represented 17% of revenue for the nine months ended September 27, 2008.

Fiscal Year and Quarterly Periods

The Company’s fiscal year begins on January 1 and ends on December 31. Quarterly periods are based on a four-week, four-week, five-week methodology ending on the Saturday nearest to the end of the quarter to align with the Company’s business processes.

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2. Acquisitions

Acquisition of Aptiv Technology Partners

In May 2008, Vangent purchased the government health integration group assets of Aptiv Technology Partners for cash consideration of \$3,892, including acquisition fees. In accordance with SFAS No. 141, *Business Combinations*, and the purchase method of accounting, the assets and liabilities acquired were recorded at their estimated fair values at the date of the acquisition, and the results of operations of the acquired business has been included in Vangent's consolidated financial statements from the date of the acquisition. The acquired business is part of the government business segment. The allocation of the purchase consideration resulted in intangible assets of \$1,154 scheduled to be amortized over a three-year period and goodwill of \$2,703 that is expected to be tax deductible. The pro forma effect on results of operations for the nine months ended September 27, 2008, giving effect to the acquisition as if it occurred on January 1, 2008, was not material.

Vangent Acquisition Transaction ("Acquisition")

On February 14, 2007, The Veritas Capital Fund III, L.P. ("Veritas Capital") and the Buyer consummated a stock purchase agreement with Pearson and certain other seller entities under which the Buyer acquired all of the equity interests of (i) Pearson Government Solutions, Inc. and (ii) the domestic and international affiliates of Pearson Government Solutions, Inc.

The Acquisition was accounted for under Emerging Issues Task Force Issue No. 88-16, *Basis in Leveraged Buyout Transactions* ("EITF 88-16"). In accordance with EITF 88-16, the portion of Pearson's ("continuing stockholder") basis in Vangent represented by its 10% residual interest was assigned to the assets and liabilities acquired. The remainder of the investment in the assets and liabilities acquired by the Buyer (the remaining 90%) was recorded at fair value. As a result, the assets and liabilities were assigned new values which include part carryover basis and part fair value basis.

A summary of the purchase consideration and related allocation follows:

Purchase Consideration	
Cash paid to Pearson	\$ 560,000
10% of Class A interests in Buyer Parent issued to Pearson	54,185
Less: deemed dividend	(47,697)
Series A preferred stock of Buyer issued to Pearson	35,020
Series B preferred stock of Buyer issued to Pearson	4,958
Transaction costs	32,000
	<u>\$ 638,466</u>

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Allocation of Purchase Consideration

Cash	\$ 2,195
Accounts receivable	113,881
Property and equipment	31,007
Deferred debt financing costs	14,013
Other assets	7,863
Identifiable intangible assets	216,406
Goodwill	301,873
Less: liabilities assumed	(55,824)
Net assets acquired	631,414
Additional cash received from Buyer	7,052
Net assets	<u>\$ 638,466</u>

Allocation of Intangible Assets Acquired

Customer relationships (10.8 years weighted average life)	\$ 204,570
Intellectual property (indefinite life)	11,178
Other	658
	<u>\$ 216,406</u>

3. Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted SFAS 157 for financial assets and financial liabilities on January 1, 2008, and there was no material effect on the consolidated financial statements. The FASB deferred the effective date as it relates to fair value measurement requirements for non-financial assets and non-financial liabilities to January 1, 2009. The Company is evaluating the impact of adopting SFAS 157 for non-financial assets and liabilities on its results of operations and financial position.

On October 10, 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, to clarify the application of SFAS 157 in measuring fair value in a market that is not active. The guidance reaffirms the notion of fair value as an exit price as of the measurement date and clarifies: how management’s internal cash flow and discount rate assumptions should be considered when measuring fair value when relevant observable data do not exist; how observable market information in a market that is not active should be considered when measuring fair value; and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available to measure fair value.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of SFAS No. 115* (“SFAS 159”). SFAS 159 permits entities to choose to measure eligible financial assets and liabilities that are not otherwise required to be measured at fair value. The Company adopted SFAS 159 on January 1, 2008, and there was no effect on the consolidated financial statements since the Company did not elect the fair value option for assets and liabilities within the scope of SFAS 159.

In December 2007 the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. The new standards will significantly change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. Some of the changes, such as the accounting for contingent consideration, will introduce more volatility into earnings and may impact a company’s acquisition strategy. Key changes include: transaction costs and restructuring charges will be charged to expense; accounting for certain assets acquired and liabilities assumed in an acquisition will change significantly; certain contingent assets and liabilities will be recognized at fair value; earn-out arrangements will be measured at fair value until settled; in partial acquisitions, when control is obtained, the acquiring company will recognize and measure at fair value 100% of the assets and liabilities, including goodwill, as if the entire target company had been acquired; and minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. The new standards become effective for Vangent beginning January 1, 2009, and will be applied prospectively.

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, to require expanded disclosures about how and why a company engages in derivative and hedging activities, how derivative instruments and related hedged items are accounted for, and their effect on financial position and results of operations for each major type of derivative instrument, including interest rates, foreign exchange, equity, commodity, and credit contracts. The new standards become effective January 1, 2009. The Company is evaluating the additional disclosure requirements with respect to interest rate swaps that are designed to hedge interest expense on a portion of the variable-rate term loan, the only derivative instruments in which the Company engages.

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful life of Intangible Assets*, to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset and to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure the fair value of the asset. The new standards become effective for Vangent beginning on January 1, 2009, and will be applied prospectively only to intangible assets acquired after the effective date.

In May 2008, the FASB issued SFAS No.162, *The Hierarchy of Generally Accepted Accounting Principles*. The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles. The Company is currently evaluating the impact of the new standard on its results of operations and financial position, but does not believe there will be a material impact.

4. Intangible Assets and Goodwill

A summary of intangible assets at September 27, 2008, follows:

	Weighted Average Life (in years)	Cost	Accumulated Amortization	Net Carrying Amount
Customer relationships	10.8	\$ 205,724	\$ (33,930)	\$ 171,794
Intellectual property	Indefinite	11,178	—	11,178
Other	4	658	(300)	358
		<u>\$ 217,560</u>	<u>\$ (34,230)</u>	<u>\$ 183,330</u>

Amortization of intangible assets was \$15,851 for the nine months ended September 27, 2008, and \$12,953 for the period February 15 to September 29, 2007. Amortization of intangible assets for each of the next five years is estimated to range from \$20,900 to \$21,400 per year.

A summary of changes in the carrying value of goodwill for the nine months ended September 27, 2008, follows:

	Net Carrying Amount
Balance, December 31, 2007	\$ 301,873
Acquisition of Aptiv Technology Partners	2,703
Deferred income tax adjustment	(829)
Balance, September 27, 2008	<u>\$ 303,747</u>

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5. Long-Term Debt and Interest Rate Swap

A summary of long-term debt follows:

	December 31, 2007	September 27, 2008
Senior secured credit facility:		
Term loan, due February 14, 2013, with interest at variable rates (4.82% at September 27, 2008)	\$ 238,200	\$ 230,366
9 5/8% Senior subordinated fixed rate notes, due February 15, 2015	190,000	190,000
	428,200	420,366
Less: current portion	(7,325)	—
Long-term debt, less current portion	\$ 420,875	\$ 420,366

Scheduled maturities of long-term debt as of September 27, 2008, follow:

2009	\$ —
2010	1,781
2011	2,375
2012	2,375
2013	223,835
2014	—
2015	190,000
	<u>\$ 420,366</u>

Senior Secured Credit Facility

At September 27, 2008, the senior secured credit facility consisted of a term loan of \$230,366 due February 14, 2013, an available revolving credit facility of up to \$49,590 that expires February 14, 2012, and a letter of credit of \$410. There were no borrowings outstanding under the revolving credit facility at September 27, 2008 or December 31, 2007. A commitment fee of .50% per year is paid on the available unused portion of the revolving credit facility.

Borrowings under the senior secured credit facility bear interest at a rate equal to, at the Company's option, either: (i) the base rate, as defined, plus an applicable margin of 1.00-1.50%, or (ii) the adjusted LIBOR rate, as defined, plus an applicable margin of 2.00-2.50%. The term loan is scheduled to be repaid in 11 quarterly installments of \$594 beginning June 2010 with the balance due February 14, 2013. Borrowings are subject to mandatory prepayment with (i) 100% of the net cash proceeds of certain asset sales; (ii) 50% of the net cash proceeds of equity offerings or capital contributions subject to certain exceptions; (iii) 100% of the net cash proceeds of additional debt; and (iv) a percentage of annual excess cash flow, as defined. Payments resulting from the annual excess cash flow requirement are due 90 days following the year end. Repayments of \$7,834, primarily a mandatory prepayment, were made in the nine months ended September 27, 2008. Because the excess cash flow requirement is based on annual cash flow, it is not possible to estimate the amount, if any, that would become payable in March 2009 or subsequent years.

Borrowings are secured by accounts receivable, cash, intellectual property and other assets and are guaranteed jointly and severally, by all existing and future domestic subsidiaries. Foreign subsidiaries do not guarantee the borrowings. The senior secured credit facility contains various customary affirmative and negative covenants and events of default, including, but not limited to, restrictions on the disposal of assets, incurring additional indebtedness or guarantee obligations, paying dividends, creating liens on assets, making investments, loans or advances, and compliance with a maximum total leverage ratio. As of September 27, 2008, the Company was in compliance with the covenants.

9 5/8% Senior Subordinated Notes

In February 2007, the Company completed an offering of \$190,000 principal amount of 9 5/8% senior subordinated notes due February 15, 2015. Interest accrues at the fixed rate of 9 5/8% and is paid semi-annually. Proceeds of the offering were used to fund the Acquisition. The notes are general unsecured obligations of the Company and are subordinated to all existing and future senior loans including borrowings under the senior secured

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credit facility. The notes are guaranteed, jointly and severally, by all existing and future domestic subsidiaries. Foreign subsidiaries do not guarantee the notes.

In the event of an equity offering on or prior to February 15, 2010, the Company may redeem the notes with the net cash proceeds of one or more equity offerings at 109.625% of the principal amount, provided that at least 65% of the principal amount of the notes originally issued remains outstanding immediately following such redemption.

With respect to a redemption not related to an equity offering at any time prior to February 15, 2011, the Company may redeem all or part of the notes at a redemption price of 100% of the principal amount plus an applicable premium, as defined, and additional interest, as defined. The notes are redeemable at the option of the Company at the redemption price of 104.8125% of the principal amount on or after February 15, 2011, 102.4063% on or after February 15, 2012, and 100% on or after February 15, 2013.

Interest Rate Swaps on Variable-Rate Term Loan under Senior Secured Credit Facility

The Company has entered into interest rate swap agreements with Wachovia Bank, N.A., as counterparty, to hedge fluctuations in LIBOR interest rates on a portion of the term-loan borrowing under the senior secured credit facility. The Company exchanged its variable LIBOR interest rate for a fixed interest rate, as follows:

Date Entered	Notional Amount	Fixed Interest Rate to be Paid	Variable Interest Rate to be Received	Period Covered
February 2007	\$ 140,000	5.215%	LIBOR	February 2007 to February 2008
	120,000	5.215%	LIBOR	February 2008 to February 2009
	110,000	5.215%	LIBOR	February 2009 to February 2010
April 2008	\$ 75,000	3.280%	LIBOR	April 2008 to February 2010
	150,000	3.280%	LIBOR	February 2010 to February 2011

The Company documented its risk management objective and nature of the risks being hedged and has designated the interest rate swaps as cash flow hedges at inception of the agreements. The Company performs a quarterly analysis of the effectiveness of the hedge and has concluded that the hedging relationship is highly effective due to the consistency of critical terms of the interest rate swap and related term loan under the senior secured credit facility. The fair value of the net interest rate swap liability was \$2,688 at September 27, 2008, resulting in an unrealized loss of \$2,540 reported in accumulated other comprehensive loss in the consolidated statement of stockholder's equity and a realized loss of \$148 for the ineffective portion reported as interest expense.

In the unlikely event that the counterparty fails to meet the terms, the Company's exposure is limited to the interest rate differential on the notional amount at each quarterly settlement period over the life of the agreement. We do not anticipate non-performance by the counterparty. The use of derivative financial instruments is limited to interest rate swaps, the purpose of which is to hedge interest expense on a portion of the variable-rate term loan. The Company does not hold or issue derivative financial instruments for speculative purposes.

6. Fair Value Measurements

The Company adopted SFAS 157, *Fair Value Measurements*, on January 1, 2008, for financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, summarized as follows:

- Level 1 Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs, other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3 Unobservable inputs that reflect the reporting entity's own assumptions.

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A summary of the bases used to measure certain financial assets and financial liabilities reported at fair value on a recurring basis in the consolidated balance sheet follows:

	Basis of Fair Value Measurements			
	Balance September 27, 2008	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps included in:				
Short-term liabilities	\$ 875	\$ —	\$ 875	\$ —
Long-term liabilities	1,813	—	1,813	—
	<u>\$ 2,688</u>	<u>\$ —</u>	<u>\$ 2,688</u>	<u>\$ —</u>

7. Income Taxes

The provision for income taxes amounted to \$2,632 for the three months and \$5,728 for the nine months ended September 27, 2008, and is composed of U.S. federal, state and local and foreign income taxes and reflects a tax valuation allowance against U.S. deferred tax assets. The tax valuation allowance of \$2,401 for the three months and \$7,119 for the nine months ended September 27, 2008, results primarily from the effect on the U.S. net operating losses from the tax amortization of goodwill. Goodwill is an indefinite lived asset that is amortized for tax purposes, but is not amortized under U.S. generally accepted accounting principles.

A valuation allowance is recorded against deferred tax assets when it is determined that it is more likely than not that a tax benefit will not be realized. Realization of net deferred tax assets is dependent on generating sufficient future taxable income prior to the expiration of the U.S. net operating loss carryforward. Based on an assessment of available evidence, including the net operating losses, the Company determined that it was more likely than not that its future taxable income would not be sufficient to realize the U.S. federal, state and local deferred tax assets at September 27, 2008. Accordingly, a full valuation allowance has been established against the U.S. deferred tax assets. If the valuation allowance is reduced in future periods, a portion of the reduction would be recorded as a reduction to goodwill, except beginning January 2009, with the implementation of SFAS No. 141(R), *Business Combinations*, reductions to the tax valuation allowance would be recorded as an adjustment to the provision for income taxes.

The net deferred tax liability aggregated \$10,022 at September 27, 2008, and includes \$9,911 that relates to an indefinite lived intangible asset (goodwill) that is amortized and deducted for income tax purposes in the United States, but is not amortized under U.S. generally accepted accounting principles.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* (“FIN 48”), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken, or expected to be taken, in a tax return. Pursuant to the Acquisition agreement, Vangent is indemnified and is not liable for any income taxes that relate to the pre-Acquisition periods prior to February 15, 2007. There was no liability for unrecognized tax benefits at September 27, 2008. Vangent does not expect changes in unrecognized tax benefits, if any, within the next 12 months to have a material impact on the provision for income taxes or the effective tax rate.

Vangent and its subsidiaries conduct business and are subject to income taxes in the United States and certain foreign countries. In 2008, Vangent filed its initial income tax returns for the period February 15 to December 31, 2007, which will be subject to examination by federal, state, local, or foreign tax authorities. Interest and penalties, if any, relating to income taxes are charged to the provision for income taxes.

8. Commitments and Contingencies

University of California Contract

In July 2007, the Company received a notice from the University of California that it deemed the Company to be in breach of one of the contracts and directing the Company to stop work on that contract. In July 2008, the Company and The Regents of the University of California executed a definitive settlement agreement under which the Company subsequently paid \$4,995 to the University of California. The Company has made a claim for coverage under its professional liability policy with respect to this matter. The insurance carrier previously denied the initial request for coverage, which denial was disputed by the Company. In August 2008, the carrier contributed \$1,998 to fund the settlement with the University of California pursuant to a mutual reservation of rights and reimbursement agreement entered into on May 8, 2008. To the extent the carrier seeks reimbursement of all or a portion of its contribution and is successful in such action, the Company would be required to reimburse up to the amount paid plus interest. As a result of the settlement with the University of California and the reservation of rights and reimbursement agreement with the insurance carrier, the Company recorded a charge of \$3,995 to general and administrative expense for the nine months ended September 27, 2008, made a settlement payment of \$4,995 in August 2008, and recorded a reduction of \$1,998 to general and administrative expense for the amount received from the insurance carrier in August 2008.

Loss of Data

In September 2007, the Company became aware of an event which could lead to the loss of third party confidential information. As of September 27, 2008, the Company has incurred costs of \$4,541 to mitigate the risk of damages to any third party as a result of the loss. The Company believes that \$4,041 of these costs are recoverable under its professional liability insurance and such amount is included in other receivables in the consolidated balance sheet as of September 27, 2008.

Transportation Security Administration

In February 2002, the Transportation Security Administration (“TSA”) awarded the Predecessor Entity a contract to assess and recruit passenger screeners for airports by November 19, 2002, the date mandated by Congress. The contract expired on December 31, 2002, and the Predecessor Entity was not awarded the subsequent contract. During the term of the agreement, the contract was modified multiple times and the contract value increased from an original bid of \$100,000 to \$742,000. This amount was eventually fully funded by TSA. As of December 31, 2002, the Predecessor Entity had earned the maximum allowed under the core contract funding level of \$731,000 together with an additional \$11,000 in connection with the pilot program. The pilot program contract ended in 2003.

The Department of Homeland Security Inspector General investigated the contract in conjunction with the U.S. Department of Justice (“DOJ”) to determine whether the Predecessor Entity or its subcontractors violated the Civil False Claims Act. Monetary liability under the Civil False Claims Act includes treble damages plus civil penalties of \$5.5 to \$11.0 per false claim. The Acquisition agreement provides that Pearson will indemnify Vangent, the Buyer and its other affiliates without regard to any time limitation for 50% of any losses incurred in connection with the investigation up to the aggregate amount of \$20,000 and for 100% of any losses in excess of \$20,000.

As of February 14, 2007, the remaining balance of the accrued liability established by the Predecessor Entity was \$5,959, of which \$5,648 was for settlement negotiations with respect to the ongoing investigation of its performance and billings under the TSA contract, including an expense of \$1,000 recorded for the period January 1 to February 14, 2007, as settlement negotiations between the parties continued. The balance of the accrued liability was \$5,648 at December 31, 2007. In connection with the Acquisition and related cost-sharing provisions, a receivable of \$2,824 from Pearson representing 50% of the expected accrued losses was included in other receivables at December 31, 2007.

In October 2008, Pearson and Vangent, without admitting any liability, executed a settlement and release agreement which Vangent expects DOJ will sign within 60 days. Within five business days of full execution of the agreement, Pearson will pay \$5,648 to the United States and Vangent will pay \$2,824 to Pearson. As a result of the agreement, Vangent reduced its accrued receivable from Pearson from \$2,824 to zero and recorded a corresponding reduction of \$2,824 in the accrued settlement liability; there was no effect on costs and expenses. Vangent’s remaining obligation of \$2,824 under the agreement is reflected as an accrued liability in the consolidated balance sheet as of September 27, 2008.

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Insurance and Third-Party Recoveries

In connection with the recognition of liabilities for loss contingencies, the Company records related receivables for insurance and third-party recoveries that are deemed probable. In assessing the probability of recovery, judgments are made concerning insurance and third-party coverage that we believe are reasonable and consistent based on our experience, our knowledge of the relevant issues and various judicial determinations, and consideration of the impact of any likely settlements.

Other

The Company is subject to legal proceedings, investigations and claims arising out of the ordinary course of business and accrues a liability if an unfavorable outcome is probable. In the opinion of management, resolution of such matters is not expected to have a material effect on the Company's results of operations or financial position.

9. Equity-Based Compensation

Successor Entity

No stock options are authorized and no stock options have been granted by Vangent.

Certain members of management of Vangent and outside directors of Vangent Holding Corp. have been granted Class B interests in Vangent Holding LLC, the majority shareholder of Vangent Holding Corp. which in turn owns all of Vangent's common stock. At September 27, 2008, the outstanding balance of grants of Class B interests represented 5.6% of the profit interests in Vangent Holding LLC. Pursuant to the terms of the operating agreement governing Vangent Holdings, LLC, the Class B interests are subject to a five-year vesting schedule, except in the event of a change of control. The unvested portion of Class B interests reverts to the holders of Class A interests in Vangent Holding LLC. Class B interests are granted with no exercise price or expiration date. Holders of Class B interests are entitled to receive their respective proportional interest of all distributions made by Vangent Holding LLC provided the holders of the Class A interests have received an 8% per annum internal rate of return on their invested capital. Grants of Class B interests are limited to 7.5% in the aggregate.

A summary of activity for grants and the outstanding balance of Class B interests in Vangent Holding LLC follow:

	Class B Interests Available for Grant	Class B Interests Outstanding	Fair Value of Class B Interests at Date of Grant
Balance, February 15, 2007	—%	—%	\$ —
Authorized	7.5	—	—
Granted	(5.3)	5.3	5,946
Forfeited	0.4	(0.4)	(454)
Balance, December 31, 2007	2.6	4.9	5,492
Granted	(1.5)	1.5	1,695
Forfeited	0.8	(0.8)	(948)
Balance, September 27, 2008	1.9%	5.6%	\$ 6,239
At September 27, 2008:			
Vested		0.9%	
Not yet vested		4.7	
		5.6%	

The fair value of the Class B interests at the date of grant is based upon the value of the interests of Vangent Holding LLC less a 35% discount for lack of liquidity. The value was determined based upon the amount paid for 90% of the Class A interests of Vangent Holding LLC by Veritas Capital and the value of Pearson's 10% Class A interests in February 2007. Equity-based compensation expense is recorded based on the grant-date fair value on a straight-line basis over the total requisite service period for the award, and amounted to \$839 for the nine months ended September 27, 2008. The unamortized amount of equity-based compensation expense was \$4,491 at September 27, 2008, and amortization of approximately \$1,100 per year is scheduled for each of the next four years.

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Predecessor Entity

The Predecessor Entity accounted for equity-based compensation using the fair value method. Under the fair value method, stock options were valued on the date of grant, and equity-based compensation expense was recognized over the service period. Grants of restricted stock awards were measured at fair value on the date of grant based on the number of shares granted and the quoted price of the underlying stock, and such value was recognized as an expense over the corresponding service period. The remaining balances of unvested equity-based awards were vested in full in connection with the Acquisition resulting in equity-based compensation expense of \$1,477 for the period January 1 to February 14, 2007.

10. Related Party Transactions

Vangent pays an annual management fee of \$1,000 to Veritas Capital for general business management, financial, strategic and consulting services.

Included in the purchase consideration relating to the Acquisition in February 2007 was a one-time transaction fee of \$10,000 paid to Veritas Capital as consideration in connection with planning, structuring and consummating the Acquisition.

Certain members of management of Vangent and certain outside directors of Vangent Holding Corp. were granted Class B interests in Vangent Holding LLC, the majority shareholder of Vangent Holding Corp. which in turn owns all of Vangent's common stock.

11. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) follow:

	December 31, 2007	September 27, 2008
Effect of hedging activities, net of tax	\$ (3,361)	\$ (2,540)
Foreign currency translation adjustment	424	(286)
	<u>\$ (2,937)</u>	<u>\$ (2,826)</u>

12. Business Segments and Major Customers

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Vangent reports operating results and financial data for three business segments: government group, commercial group and international group. The government group customers are primarily U.S. federal agencies. The government group assists civilian, defense and intelligence agencies as well as government-related entities with the design and execution of information and technology strategy, helps develop and maintain their complex, mission-critical systems and delivers a wide range of business process outsourcing solutions. The commercial group primarily serves the private sector and designs, builds, and operates workforce solutions that automate and improve the recruitment, assessment, selection and development of an organization's workforce. The international group provides consulting, systems integration and business process outsourcing solutions to both commercial and foreign local and central government customers.

Vangent evaluates the performance of its operating segments based on operating income, but does not measure revenue or operating income by its major service offerings either for internal management or external financial reporting purposes. The new basis of accounting resulting from the Acquisition in February 2007 has a significant effect on results of operations.

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Summarized financial information for business segments and major customers follows:

	Successor Entity		Predecessor Entity Period January 1 to February 14, 2007	Successor Entity	
	Three Months Ended September 29, 2007	Three Months Ended September 27, 2008		Period February 15 to September 29, 2007	Nine Months Ended September 27, 2008
Revenue					
Government group	\$ 102,896	\$ 107,949	\$ 47,011	\$ 236,154	\$ 320,845
Commercial group	8,555	7,161	3,302	21,794	21,892
International group	18,159	18,281	8,520	45,708	58,063
	<u>\$ 129,610</u>	<u>\$ 133,391</u>	<u>\$ 58,833</u>	<u>\$ 303,656</u>	<u>\$ 400,800</u>
Operating income (loss)					
Government group	\$ 8,996	\$ 10,273	\$ 647	\$ 6,148	\$ 20,263
Commercial group	915	244	(496)	1,971	(58)
International group	(38)	450	(281)	420	1,199
	<u>9,873</u>	<u>10,967</u>	<u>(130)</u>	<u>8,539</u>	<u>21,404</u>
Corporate (1)	20	(248)	(547)	—	(839)
	<u>\$ 9,893</u>	<u>\$ 10,719</u>	<u>\$ (677)</u>	<u>\$ 8,539</u>	<u>\$ 20,565</u>
Depreciation and amortization					
Government group	\$ 6,748	\$ 7,375	\$ 1,352	\$ 16,512	\$ 21,446
Commercial group	150	397	447	816	1,281
International group	1,357	1,188	570	3,425	3,598
	<u>\$ 8,255</u>	<u>\$ 8,960</u>	<u>\$ 2,369</u>	<u>\$ 20,753</u>	<u>\$ 26,325</u>
Major customers					
Department of Health and Human Services	49%	46%	36%	46%	46%
Department of Education	16%	16%	23%	17%	17%

(1) Corporate represents equity-based compensation expense.

13. Condensed Issuer and Non-Guarantor Financial Information

In connection with the Acquisition by Veritas Capital and the related financing, Vangent Inc. (“Issuer”) issued \$190,000 of 9 5/8% senior subordinated notes due 2015. The notes were sold to qualified institutional buyers under the provisions of Rule 144A under the Securities Act of 1933 and to non-U.S. persons under the provisions of Regulation S under the Securities Act of 1933. The notes are general obligations of Vangent, Inc. and are jointly and severally, fully, irrevocably and unconditionally, guaranteed by Blueprint Technologies, Inc. and PAS, Inc., 100%-owned subsidiaries of Vangent Inc. As a result of an internal restructuring, the assets and liabilities and operations of Blueprint Technologies, Inc. and PAS, Inc. have been transferred to Vangent Inc., and, accordingly, their financial statements are not presented separately. Certain other 100%-owned subsidiaries do not guarantee the notes (“Non-Guarantors”). These entities include Vangent Canada, Limited, Vangent Mexico, and S.A. de C.V., Vangent Servicios de Mexico, S.A. de C.V., Vangent Argentina, S.A., Vangent Venezuela, C.A., Vangent Puerto Rico, Inc., and Vangent, Ltd.

The presentation of the condensed combining balance sheets, statements of operations, and statements of cash flows for the Issuer and for the Non-Guarantor subsidiaries as of December 31, 2007, for the three months ended September 29, 2007, and the period February 15 to September 29, 2007, has been revised to separately present financial data for the Issuer, reclassify certain intangible assets and the amortization of intangible assets from the Issuer to the Non-Guarantors, and to present the Issuer’s investment in and advances to the Non-Guarantor subsidiaries under the equity method of accounting along with the related elimination of the investment and advances.

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Condensed combining balance sheets, statements of operations, and statements of cash flows for the Issuer and for the Non-Guarantors follow:

Issuer and Non-Guarantor Financial Information
Condensed Combining Balance Sheets

	December 31, 2007				September 27, 2008			
	Issuer	Non-Guarantors	Eliminations	Total	Issuer	Non-Guarantors	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 19,022	\$ 7,071	\$ —	\$ 26,093	\$ 13,307	\$ 4,784	\$ —	\$ 18,091
Trade receivables, net	102,398	9,894	—	112,292	95,807	15,911	—	111,718
Other receivables and prepaid items	11,163	4,307	—	15,470	10,511	4,447	—	14,958
Total current assets	132,583	21,272	—	153,855	119,625	25,142	—	144,767
Property and equipment, net	16,891	10,688	—	27,579	22,378	7,645	—	30,023
Intangible assets, net	185,544	12,483	—	198,027	171,372	11,958	—	183,330
Goodwill	266,836	35,037	—	301,873	269,539	34,208	—	303,747
Deferred debt financing costs and other	12,602	132	—	12,734	10,845	—	—	10,845
Investment in and advances to Non-Guarantor subsidiaries	68,901	—	(68,901)	—	67,940	—	(67,940)	—
Total assets	\$ 683,357	\$ 79,612	\$ (68,901)	\$ 694,068	\$ 661,699	\$ 78,953	\$ (67,940)	\$ 672,712
Liabilities and Stockholder's Equity								
Current liabilities:								
Current portion of long-term debt	\$ 7,325	\$ —	\$ —	\$ 7,325	\$ —	\$ —	\$ —	\$ —
Accounts payable and accrued expenses	54,568	8,680	—	63,248	49,795	10,093	—	59,888
Accrued interest	8,547	—	—	8,547	3,395	—	—	3,395
Deferred tax liability	852	—	—	852	4,098	—	—	4,098
Advance payments on contracts	2,715	1,729	—	4,444	1,709	828	—	2,537
Total current liabilities	74,007	10,409	—	84,416	58,997	10,921	—	69,918
Long-term debt, net of current portion	420,875	—	—	420,875	420,366	—	—	420,366
Other long-term liabilities	3,746	3,319	(3,202)	3,863	6,597	371	(279)	6,689
Deferred tax liability	4,440	185	—	4,625	5,924	—	—	5,924
Total liabilities	503,068	13,913	(3,202)	513,779	491,884	11,292	(279)	502,897
Stockholder's equity	180,289	65,699	(65,699)	180,289	169,815	67,661	(67,661)	169,815
Total liabilities and stockholder's equity	\$ 683,357	\$ 79,612	\$ (68,901)	\$ 694,068	\$ 661,699	\$ 78,953	\$ (67,940)	\$ 672,712

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*Issuer and Non-Guarantor Financial Information
Condensed Combining Statements of Operations*

	Three Months Ended September 29, 2007				Three Months Ended September 27, 2008			
	Non-				Non-			
	Issuer	Guarantors	Eliminations	Total	Issuer	Guarantors	Eliminations	Total
Revenue	\$ 111,529	\$ 18,081	\$ —	\$ 129,610	\$ 115,192	\$ 18,199	\$ —	\$ 133,391
Cost of revenue	88,294	15,689	—	103,983	91,014	15,456	—	106,470
Gross profit	23,235	2,392	—	25,627	24,178	2,743	—	26,921
General and administrative expenses	10,519	1,025	—	11,544	11,377	1,068	—	12,445
Selling and marketing expenses	3,343	847	—	4,190	3,111	646	—	3,757
Operating income	9,373	520	—	9,893	9,690	1,029	—	10,719
Interest (income) expense, net	9,759	(28)	—	9,731	8,463	71	—	8,534
Income (loss) before income taxes	(386)	548	—	162	1,227	958	—	2,185
Provision for income taxes	1,458	108	—	1,566	1,676	956	—	2,632
Equity in net income of Non-Guarantor subsidiaries	440	—	(440)	—	2	—	(2)	—
Net income (loss)	\$ (1,404)	\$ 440	\$ (440)	\$ (1,404)	\$ (447)	\$ 2	\$ (2)	\$ (447)

	Predecessor Entity				Successor Entity			
	Period January 1 to February 14, 2007				Period February 15 to September 29, 2007			
	Non-				Non-			
	Issuer	Guarantors	Eliminations	Total	Issuer	Guarantors	Eliminations	Total
Revenue	\$ 50,349	\$ 8,484	\$ —	\$ 58,833	\$ 258,163	\$ 45,493	\$ —	\$ 303,656
Cost of revenue	40,437	7,750	—	48,187	214,444	39,652	—	254,096
Gross profit	9,912	734	—	10,646	43,719	5,841	—	49,560
General and administrative expenses	9,001	382	—	9,383	28,003	1,979	—	29,982
Selling and marketing expenses	1,590	350	—	1,940	8,986	2,053	—	11,039
Operating income (loss)	(679)	2	—	(677)	6,730	1,809	—	8,539
Interest (income) expense, net	(21)	11	—	(10)	24,144	(54)	—	24,090
Income (loss) before income taxes	(658)	(9)	—	(667)	(17,414)	1,863	—	(15,551)
Provision (benefit) for income taxes	(327)	35	—	(292)	3,780	722	—	4,502
Equity in net income (loss) of Non-Guarantor subsidiaries	(44)	—	44	—	1,141	—	(1,141)	—
Net income (loss)	\$ (375)	\$ (44)	\$ 44	\$ (375)	\$ (20,053)	\$ 1,141	\$ (1,141)	\$ (20,053)

	Nine Months Ended September 27, 2008			
	Non-			
	Issuer	Guarantors	Eliminations	Total
Revenue	\$ 342,991	\$ 57,809	\$ —	\$ 400,800
Cost of revenue	280,042	49,528	—	329,570
Gross profit	62,949	8,281	—	71,230
General and administrative expenses	35,581	3,121	—	38,702
Selling and marketing expenses	9,714	2,249	—	11,963
Operating income	17,654	2,911	—	20,565
Interest (income) expense, net	26,277	(16)	—	26,261
Income (loss) before income taxes	(8,623)	2,927	—	(5,696)
Provision for income taxes	4,730	998	—	5,728
Equity in net income of Non Guarantor subsidiaries	1,929	—	(1,929)	—
Net income (loss)	\$ (11,424)	\$ 1,929	\$ (1,929)	\$ (11,424)

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*Issuer and Non-Guarantor Financial Information
Condensed Combining Statements of Cash Flows*

	Predecessor Entity				Successor Entity			
	Period January 1 to February 14, 2007				Period February 15 to September 29, 2007			
	Issuer	Non Guarantors	Eliminations	Total	Issuer	Non Guarantors	Eliminations	Total
Net cash (used in) provided by operating activities	\$ (14,238)	\$ (4,658)	\$ —	\$ (18,896)	\$ 16,352	\$ (359)	\$ —	\$ 15,993
Net cash (used in) provided by investing activities	(3,669)	(58)	—	(3,727)	(625,346)	3,322	2,406	(619,618)
Net cash provided by financing activities	10,029	3,242	—	13,271	618,122	2,406	(2,406)	618,122
Effect of exchange rate changes on cash and cash equivalents	—	(166)	—	(166)	—	499	—	499
Net (decrease) increase in cash and cash equivalents	(7,878)	(1,640)	—	(9,518)	9,128	5,868	—	14,996
Cash and cash equivalents, beginning of period	8,341	3,372	—	11,713	—	—	—	—
Cash and cash equivalents, end of period	<u>\$ 463</u>	<u>\$ 1,732</u>	<u>\$ —</u>	<u>\$ 2,195</u>	<u>\$ 9,128</u>	<u>\$ 5,868</u>	<u>\$ —</u>	<u>\$ 14,996</u>

	Nine Months Ended September 27, 2008			
	Issuer	Non- Guarantors	Eliminations	Total
Net cash provided by operating activities	\$ 10,044	\$ 898	\$ —	10,942
Net cash used in investing activities	(7,720)	(562)	(2,406)	(10,688)
Net cash used in financing activities	(8,039)	(2,406)	2,406	(8,039)
Effect of exchange rate changes on cash and cash equivalents	—	(217)	—	(217)
Net (decrease) in cash and cash equivalents	(5,715)	(2,287)	—	(8,002)
Cash and cash equivalents, beginning of period	19,022	7,071	—	26,093
Cash and cash equivalents, end of period	<u>\$ 13,307</u>	<u>\$ 4,784</u>	<u>\$ —</u>	<u>\$ 18,091</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the audited consolidated financial statements, and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2007.

Overview

We are a leading provider of information management and business process outsourcing services to several U.S. public health care and other civilian government agencies, as well as select U.S. defense and intelligence agencies, foreign government organizations and private sector entities. We design, build and operate mission-critical systems and processes to seamlessly deliver vital information, services and programs to our customers and their constituents. Most of our revenue is generated from long-term contracts that typically have a duration of four to six years, including option years. As of September 27, 2008, our total contract backlog was \$1,630.1 million, compared with \$1,769.9 million at December 31, 2007.

We manage our business through three segments: the Government Group, the International Group and the Commercial Group. Our two largest customers are the Department of Health and Human Services ("HHS") and the Department of Education ("DoED"). HHS and DoED represented 46% and 17% of revenue for the nine months ended September 27, 2008, compared with 44% and 18% for the corresponding periods in 2007, respectively.

The Government Group is our largest segment and has over 30 years of experience in providing information management and business process outsourcing to several civilian and defense agencies of the federal government, including a 28-year history with the Department of Education, over 10 years with the Defense Information Systems Agency and seven years with the Centers for Medicare and Medicaid Services. The Government Group is also responsible for the development, management, analysis and dissemination of healthcare information to the public sector and is one of the largest non-government providers of health information in the United States. The Government Group represented 80% of total revenue for the nine months ended September 27, 2008, compared with 78% for the corresponding period in 2007.

The Commercial Group primarily serves the private sector and designs, builds and operates workforce solutions that automate and improve the recruitment, assessment, selection and development of a customer's workforce. We provide solutions that automate pre-employment screening, which improves the quality and retention of new employees and reduces the cost and time associated with hiring an hourly workforce. The Commercial Group represented 5% of total revenue for the nine months ended September 27, 2008, compared with 7% for the corresponding period in 2007.

The International Group serves local governments, central governments and commercial customers, primarily in the United Kingdom, Canada and Latin America. This segment provides consulting, systems integration and business process outsourcing to address a variety of managerial disciplines, including customer interaction, as well as the management of data, identity, revenue and human capital. The International Group represented 15% of total revenue for the nine months ended September 27, 2008, about the same as for the corresponding period in 2007.

Vangent Acquisition Transaction ("Acquisition")

On February 14, 2007, Vangent Holding Corp. (the "Buyer") consummated the Acquisition of all of the equity interests of (i) Pearson Government Solutions, Inc., an indirect 100%-owned subsidiary of Pearson, and (ii) the domestic and international affiliates of Pearson Government Solutions, Inc. engaged in the consulting, systems integration and business process outsourcing business operated by the Pearson Government Solutions operating unit of Pearson and the other seller entities, which is referred to as the "Acquisition." Pearson and the other seller entities are referred to as the "sellers" or Predecessor Entity.

Closing Price and Purchase Adjustments. The purchase price for the Acquisition was as follows: (i) \$560.0 million in cash; (ii) \$35.0 million in Series A preferred stock of the Buyer; (iii) \$5.0 million in Series B preferred stock of the Buyer and (iv) 10% of the Class A membership interests of Vangent Holding LLC (the "Buyer Parent").

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Indemnification. The stock purchase agreement provides that the sellers will indemnify us, the Buyer and its other affiliates without regard to any time limitation for any losses incurred by us, our parent and its other affiliates in connection with an investigation by the U.S. Government through the Department of Justice and the Inspector General of the Department of Homeland Security to determine whether we and NCS Pearson Inc. violated the Civil False Claims Act or other federal laws in connection with a contract awarded by the Transportation Security Administration to NCS Pearson Inc. in 2002, except that the first \$20.0 million in losses resulting from such investigation will be shared equally. Upon closing of the Acquisition, we entered into a joint defense agreement with one of the sellers, NCS Pearson Inc., pursuant to which both parties assumed joint defense with respect to such investigation.

Acquisition of Aptiv Technology Partners

In May 2008, Vangent purchased the government health integration group assets of Aptiv Technology Partners for cash consideration of \$3.9 million, including acquisition fees. In accordance with SFAS No. 141, *Business Combinations*, and the purchase method of accounting, the assets and liabilities acquired were recorded at their estimated fair values at the date of the acquisition, and the results of operations of the acquired business has been included in Vangent's consolidated financial statements from the date of the acquisition.

Basis of Presentation

The financial statements for the Predecessor Entity have been prepared in accordance with generally accepted accounting principles in the United States from the historical accounting records of Pearson plc and are presented on a carve-out basis until February 14, 2007, the date of the Acquisition. The carve-out financial statements include allocations from Pearson for corporate expenses based on a percentage of revenue or headcount measures to cover support and administrative services.

For management discussion and analysis purposes, the statements of operations data for the nine months ended September 29, 2007 represent the mathematical addition of the results for the Predecessor Entity for the period January 1 to February 14, 2007 and for the Successor Entity for the period February 15 to September 29, 2007. Although this approach is not consistent with generally accepted accounting principles, we believe it is the most meaningful way to review the statements of operations data for such periods.

The new basis of accounting resulting from the Acquisition in February 2007 and related financing had a significant effect on statements of operations data for periods subsequent to the Acquisition and reflects amortization of intangible assets, interest expense on debt, and an income tax valuation allowance.

Factors Affecting Our Results of Operations

Our future results of operations are affected by a number of factors, including but not limited to the following:

Revenue and Dependence on Federal Government Contracts. Contracts funded by U.S. government agencies represented 74% of total revenue for the nine months ended September 27, 2008, compared with 72% for the corresponding period in 2007. Revenue from contracts in which we acted as the prime contractor represented 89% of total revenue in the nine months ended September 27, 2008, about the same as for the corresponding period in 2007.

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Revenue from cost-plus contracts represented 48% of total revenue for the nine months ended September 27, 2008, compared with 43% for the corresponding period in 2007. The shift to cost-plus reflects the increase of \$38.3 million, or 11%, in total revenue that was derived mainly from new and existing cost-plus contracts. Revenue from cost-plus, fixed-price and time and materials contracts was split as follows:

	Three Months Ended		Nine Months Ended	
	September 29, 2007	September 27, 2008	September 29, 2007	September 27, 2008
Cost-plus	48%	49%	43%	48%
Fixed-price	49%	45%	52%	46%
Time and materials	3%	6%	5%	6%
	100%	100%	100%	100%

Cost of Revenue. Cost of revenue includes labor, facilities, direct contract costs, overhead, management and support, amortization of intangible assets, depreciation, and other costs attributable to serving our customers. Labor includes salaries, wages and related employee benefits associated with the professional and customer service staff. Facilities costs include rent for commercial office space and a portion of headquarters costs. Direct contract costs include travel, hardware and software, and costs of subcontractors. The number and types of personnel, including their salaries and other costs, have a significant impact on cost of revenue.

General and Administrative Expenses. General and administrative expenses are not directly associated with performing work for our customers and include salaries and wages, associated fringe benefits, facilities, depreciation, travel, and insurance. Among the functions covered by these expenses are human resources, information systems, accounting, general management, legal, finance, contracts, and purchasing. Most of these expenses qualify as allowable costs under the cost accounting standards for contracting with the federal government and are recoverable under cost-plus contracts.

Selling and Marketing Expenses. Selling and marketing expenses for the sales and business development group include salaries, wages and commissions, associated fringe benefits, facilities, travel, depreciation, and bid and proposal expenses.

Purchase Accounting Adjustments. The Acquisition was accounted for under Emerging Issues Task Force Issue No. 88-16, *Basis in Leveraged Buyout Transactions* (“EITF 88-16”). In accordance with EITF 88-16, the portion of Pearson plc’s (“continuing stockholder”) basis in Vangent represented by its 10% residual interest was assigned to the assets and liabilities acquired. The remainder of the investment in the assets and liabilities acquired (the 90%) by the Buyer was recorded at fair value. As a result, the assets and liabilities have been assigned new values which include part carryover basis and part fair value basis. The excess of the purchase price over assets acquired and liabilities assumed amounted to \$301.9 million and was allocated to goodwill.

The acquisition of Aptiv Technology Partners in 2008 resulted in intangible assets of \$1.2 million scheduled to be amortized over a three-year period and goodwill of \$2.7 million.

Goodwill and Intangible Assets. In accordance with FASB Statement No. 142, “*Goodwill and Other Intangible Assets*” (“SFAS 142”), Vangent performs an annual impairment review of goodwill and intangible assets not subject to amortization in the fourth quarter of each year. Under SFAS 142, the impairment review of goodwill and intangible assets not subject to amortization is based on estimated fair values. The valuation of intangible assets requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples, and discount rates. The Commercial Group has experienced declines in the revenue and operating income for the nine months ended September 27, 2008, compared with the corresponding period in 2007, and revenue and operating results of the International Group are subject to changes in foreign currency exchange rates vs. the U.S. dollar. Adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate fair values could result in non-cash impairment charges in future periods under SFAS 142.

Income Taxes. The Buyer made an election under Section 338(h) (10) of the Internal Revenue Code that significantly increased the tax basis of our assets, primarily intangible assets and goodwill, and increased tax deductions for the related amortization of intangibles and goodwill. The tax deductions for amortization contributed to the net operating losses for the periods subsequent to the Acquisition, and the net operating loss carryforward plus future tax amortization are available to reduce future cash taxes.

Contract Backlog

Total contract backlog is the amount of revenue we expect to realize over the remaining term of the contracts. We do not include contract ceiling values under government-wide acquisition contracts or indefinite delivery, indefinite quantity contracts in backlog. Firm contract backlog is the value of the base period plus all currently exercised options. Funded backlog is the portion for which funding has been authorized. A significant portion of our backlog represents work relating to the continuation of services under contracts or projects where we are the incumbent provider. Most of our federal government contracts allow the customer the option of extending the period of performance for a period of one or more years.

A summary of contract backlog by business segment follows (in millions):

	December 31, 2007			September 27, 2008		
	Total Contract Backlog	Firm Contract Backlog	Funded Contract Backlog	Total Contract Backlog	Firm Contract Backlog	Funded Contract Backlog
Government Group	\$ 1,422.7	\$ 180.7	\$ 135.9	\$ 1,322.3	\$ 339.3	\$ 145.4
International Group	335.4	215.9	215.9	289.1	162.1	162.1
Commercial Group	11.8	11.8	11.8	18.7	16.7	16.7
	<u>\$ 1,769.9</u>	<u>\$ 408.4</u>	<u>\$ 363.6</u>	<u>\$ 1,630.1</u>	<u>\$ 518.1</u>	<u>\$ 324.2</u>

(1) The U.S. dollar has strengthened since September 27, 2008. As a result, the translation of foreign-currency backlog to U.S. dollars for the International Group has declined from \$289.1 million to \$246.8 million at October 31, 2008.

Critical Accounting Policies

The critical accounting estimates used in the preparation of the condensed consolidated financial statements are described in our annual report on Form 10-K for the year ended December 31, 2007. There has been no significant change in the critical accounting estimates: revenue recognition and cost estimation on long-term contracts, intangible assets, goodwill, litigation and contingencies, equity-based compensation, and income taxes.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions to determine certain of the assets, liabilities, revenue and expenses. These estimates and assumptions are based upon what we believe is the best information available at the time of the estimates or assumptions. The estimates and assumptions could change materially as conditions within and beyond our control change. Accordingly, actual results could differ materially from those estimates.

Results of Operations

Statements of operations data follow (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2007	September 27, 2008	September 29, 2007 (1)	September 27, 2008
Statements of Operations Data				
Revenue	\$ 129,610	\$ 133,391	\$ 362,489	\$ 400,800
Cost of revenue	103,983	106,470	302,283	329,570
Gross profit	25,627	26,921	60,206	71,230
General and administrative expenses	11,544	12,445	39,365	38,702
Selling and marketing expenses	4,190	3,757	12,979	11,963
Operating income	9,893	10,719	7,862	20,565
Interest expense, net	9,731	8,534	24,080	26,261
Income (loss) before income taxes	162	2,185	(16,218)	(5,696)
Provision for income taxes	1,566	2,632	4,210	5,728
Net loss	<u>\$ (1,404)</u>	<u>\$ (447)</u>	<u>\$ (20,428)</u>	<u>\$ (11,424)</u>
Statements of Operations Data as a Percent of Revenue				
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	80.2	79.8	83.4	82.2
Gross profit margin	19.8	20.2	16.6	17.8
General and administrative expenses	8.9	9.4	10.8	9.7
Selling and marketing expenses	3.3	2.8	3.6	3.0
Operating income	7.6	8.0	2.2	5.1
Interest expense, net	7.5	6.4	6.7	6.5
Income (loss) before income taxes	0.1	1.6	(4.5)	(1.4)
Provision for income taxes	1.2	2.0	1.1	1.4
Net loss	<u>(1.1)%</u>	<u>(0.3)%</u>	<u>(5.6)%</u>	<u>(2.9)%</u>
Revenue by Business Segment				
Government Group	\$ 102,896	\$ 107,949	\$ 283,165	\$ 320,845
Commercial Group	8,555	7,161	25,096	21,892
International Group	18,159	18,281	54,228	58,063
	<u>\$ 129,610</u>	<u>\$ 133,391</u>	<u>\$ 362,489</u>	<u>\$ 400,800</u>
Business Segment Revenue as a Percent of Total Revenue				
Government Group	79.4%	80.9%	78.1%	80.0%
Commercial Group	6.6%	5.4	6.9	5.5
International Group	14.0	13.7	15.0	14.5
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1)Represents the mathematical addition of the Predecessor Entity for the period January 1 to February 14, 2007, and the Successor Entity for the period February 15 to September 29, 2007.

Three and Nine Months Ended September 27, 2008 and September 29, 2007

Revenue

The Department of Health and Human Services (“HHS”), as a major customer, represented 46% of total revenue for the nine months ended September 27, 2008, compared with 44% for the corresponding period in 2007. The Department of Education (“DoED”), as a major customer, represented 17% of total revenue for the nine months ended September 27, 2008, compared with 18% for the corresponding period in 2007.

The increases in total revenue of \$3.8 million, or 3%, for the three months and \$38.3 million, or 11%, for the nine months ended September 27, 2008, reflect higher revenue from the Government Group. Government Group revenue increased \$5.1 million, or 5%, for the three months and \$37.7 million, or 13%, for the nine months ended September 27, 2008.

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The increase of \$5.1 million in Government Group revenue in the three-month period reflects \$4.6 million from new contract awards with the Department of Defense (“DoD”), \$2.7 million from new contract awards with the Department of Labor (“DoL”), and \$0.9 million of additional revenue from the Department of Commerce (“DOC”), partly offset by a reduction of \$3.8 million from Medicare-related outsourcing contracts.

The increase in Government Group revenue in the nine-month period reflects \$21.0 million from higher prescription drug enrollment volume under continuing Medicare-related outsourcing contracts, \$11.5 million from new contract awards with DoD, \$4.2 million from new contract awards with DoL, \$4.2 million in additional revenue from HHS contracts, and \$1.8 million in additional revenue from DOC contracts. The increases were partly offset by reductions to revenue for contracts that were completed in 2007 amounting to \$1.2 million with the Veterans Administration and \$2.5 million with the Equal Employment Opportunity Commission.

Commercial Group revenue declined \$1.4 million, or 16%, for the three months and \$3.2 million, or 13%, for the nine months ended September 27, 2008, reflecting lower commercial assessment product sales for various commercial customers and a reduction in training services and assessment related services for several Fortune 500 customers due in part to overall economic conditions and reductions in customer hiring patterns. The reductions were partly offset by increases of \$0.2 million for the three months and \$0.8 million for the nine months in training services performed under a contract with the Air Force.

International Group revenue of \$18.2 for the three months ended September 27, 2008, was about the same as for the corresponding period in 2007. International Group revenue increased \$3.8 million, or 7%, for the nine months ended September 27, 2008. The increase reflects two new contracts in Canada that increased revenue by \$6.0 million and a contract in Venezuela where inflation-based price increases increased revenue by \$1.5 million. The increase was partly offset by a reduction of \$2.5 million from lower volume and price reductions on a United Kingdom government contract and a reduction of \$1.2 million from lower volume on a Mexican contract.

Cost of Revenue

Cost of revenue increased \$2.5 million, or 2%, for the three months and \$27.3 million, or 9%, for the nine months ended September 27, 2008, reflecting increased labor and services provided under government contracts and an increase of \$2.9 million for the nine-month period in amortization of intangible assets resulting from the Acquisition on February 14, 2007. Amortization of intangibles was recorded for the nine months ended September 27, 2008, compared with 7.5 months for the corresponding period of 2007. Costs for the nine months ended September 29, 2007, included a charge of \$4.1 million resulting from the termination of a contract with the University of California.

Gross Profit

Gross profit increased \$1.3 million, or 5%, for the three months and \$11.0 million, or 18%, for the nine months ended September 27, 2008. The gross profit margin was 20% of revenue in the three months ended September 27, 2008, about the same as for the corresponding period in 2007. The gross profit margin increased to 18% of revenue in the nine months ended September 27, 2008, from 17% for the corresponding period in 2007. The increase in gross profit and the improvement in the gross profit margin in the nine-month period reflect an increase of \$2.9 million in award fees earned based on multi-year performance under cost-plus government contracts.

General and Administrative Expenses

General and administrative expenses increased \$0.9 million, or 8%, for the three months ended September 27, 2008, compared with the corresponding period in 2007. Expenses were 9% of revenue, about the same as for the corresponding period in 2007. Expenses for the three months ended September 27, 2008, reflect higher accruals for incentive compensation. Expenses for the corresponding period in 2007 included transition-related expenses of \$1.3 million, including sales and retention bonuses of \$0.6 million.

General and administrative expenses decreased \$0.7 million, or 2%, for the nine months ended September 27, 2008 compared with the corresponding period in 2007. Expenses were 10% of revenue compared with 11% for the corresponding period in 2007. Expenses for the nine months ended September 27, 2008 include \$1.4 million in additional legal fees for litigation issues and related insurance recoveries and \$0.6 million for consulting fees for compliance with the internal control requirements under Sarbanes Oxley that apply to Vangent beginning in 2008.

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Expenses for the nine months ended September 27, 2008 also include a net charge of \$2.0 million resulting from an expense of \$4.0 million to increase the claim settlement amount to \$5.0 million for a contract dispute with the University of California, partly offset by an expense reduction of \$2.0 million resulting from an agreement with the Company's insurance carrier under which the carrier contributed \$2.0 million to fund the settlement with the University of California under a mutual reservation of rights and reimbursement agreement.

General and administrative expenses for the corresponding nine-month period in 2007 included transition-related expenses of \$7.4 million, consisting of sales and retention bonuses of \$3.5 million, transition costs of \$2.8 million and equity-based compensation of \$1.1 million resulting from the accelerated vesting of Predecessor Entity equity-based awards in connection with the Acquisition, and included a charge of \$1.0 million for an increase in expected settlement costs relating to a terminated contract with the Transportation Security Administration.

Operating Income (Loss)

A summary of operating income (loss) by business segment follows (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2007	September 27, 2008	September 29, 2007	September 27, 2008
Operating income (loss)				
Government Group	\$ 8,996	\$ 10,273	\$ 6,795	\$ 20,263
Commercial Group	915	244	1,475	(58)
International Group	(38)	450	139	1,199
	9,873	10,967	8,409	21,404
Corporate	20	(248)	(547)	(839)
	<u>\$ 9,893</u>	<u>\$ 10,719</u>	<u>\$ 7,862</u>	<u>\$ 20,565</u>

Operating income (loss) as a percent of business segment and total revenue

Government Group	8.7%	9.5%	2.4%	6.3%
Commercial Group	10.7%	3.4%	5.9%	(0.3)%
International Group	(0.2)%	2.5%	0.3%	2.1%
Total Operating Income	7.6%	8.0%	2.2%	5.1%

The total operating income margin, or the ratio of operating income to revenue, increased for the three and the nine months ended September 27, 2008, compared with the corresponding periods in 2007. Total operating income increased \$0.8 million, or 8%, for the three months and increased \$12.7 million, or 162%, for the nine months ended September 27, 2008. The increase in operating income and the operating income margin for the nine-month period primarily reflects the higher operating income margin for the Government Group, including an increase of \$2.9 million in award fees earned based on multi-year performance under cost-plus government contracts. Total operating income of \$7.9 million for the corresponding period in 2007 had been reduced by transition-related expenses of \$7.4 million for retention bonuses, transition costs, and Predecessor Entity equity-based compensation.

Government Group operating income increased \$1.3 million, or 14%, for the three months ended September 27, 2008, reflecting an increase of \$2.7 million from DoD contracts. Operating income for the corresponding period in 2007 had been reduced by a loss of \$0.7 million in connection with the disputed contract with the University of California.

Government Group operating income increased \$13.5 million, or 198%, for the nine months ended September 27, 2008, and reflects increases of \$6.3 million from Medicare-related outsourcing contracts including award fees earned, \$4.5 million from DoD contracts, \$1.2 million from DoED contracts, and \$0.8 million from HHS contracts. The increases were partially offset by an increase of \$2.6 million in amortization of intangibles resulting from the Acquisition on February 14, 2007. Amortization of intangibles was recorded for the nine months ended September 27, 2008, compared with 7.5 months for the corresponding period in 2007. Operating income for the nine months ended September 27, 2008, reflects a net charge of \$2.0 million from the settlement of claims with the

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University of California, compared with a loss of \$4.1 million on the disputed contract for the corresponding period in 2007.

Commercial group operating income declined \$0.7 million for the three months and \$1.5 million for the nine months ended September 27, 2008. The reductions reflect lower revenue of \$1.4 million for the three months and \$3.2 million for the nine months. In the corresponding periods in 2007, general and administrative expenses had included transition-related expenses of \$0.7 million for the three months and \$1.1 million for the nine months.

International Group operating income increased \$0.5 million for the three months and \$1.1 million for the nine months ended September 27, 2008. The increases reflect two new contracts in Canada, higher margins from contracts in Venezuela, and lower bid and proposal expenses. The increases were partly offset by foreign currency transaction losses and higher general and administrative expenses.

Interest Expense, Net

Interest expense is accrued on borrowings in connection with the Acquisition on February 14, 2007. Debt at September 27, 2008, consisted of a variable-rate term loan of \$230.4 million under the senior secured credit facility of which \$195.0 million was hedged under interest rate swaps agreements, and \$190.0 million of 9 5/8% senior subordinated notes due 2015.

The reduction of \$1.2 million, or 12%, in net interest expense for the three months ended September 27, 2008, reflects the decline in variable interest rates. Interest rates declined an average of 370 basis points on the notional amount of \$75.0 million that was hedged in April 2008 under an interest rate swap agreement and rates declined 290 basis points on the \$35.4 million unhedged portion of the term loan.

The increase of \$2.2 million, or 9%, in net interest expense for the nine months ended September 27, 2008, reflects interest accrued on an average outstanding debt level of \$423 million for the nine-month period, compared with an average debt level of \$432 million for 7.5 months for the corresponding period in 2007. The increase was partly offset by the decline in variable interest rates.

Provision for Income Taxes

A summary of the provision for income taxes follows (in thousands):

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 29, 2007</u>	<u>September 27, 2008</u>	<u>September 29, 2007</u>	<u>September 27, 2008</u>
Provision (benefit) for income taxes excluding tax valuation allowance	\$ (4,212)	\$ 231	\$ (5,432)	\$ (1,391)
Tax valuation allowance	5,778	2,401	9,642	7,119
Total provision for income taxes	<u>\$ 1,566</u>	<u>\$ 2,632</u>	<u>\$ 4,210</u>	<u>\$ 5,728</u>

Accounting for income taxes by the Successor Entity differs significantly from the Predecessor Entity. As a result of the Acquisition, the tax basis of assets and liabilities changed significantly, primarily intangible assets and goodwill. The provision for income taxes of \$2.6 million for the three months and \$5.7 million for the nine months ended September 27, 2008, is composed of U.S. federal, state and local and foreign income taxes and reflects a tax valuation allowance against U.S. deferred tax assets. The valuation allowance results primarily from the effect on U.S. net operating losses from the tax amortization of goodwill. Goodwill is an indefinite lived asset that is amortized for tax purposes, but is not amortized under U.S. generally accepted accounting principles. The Company has concluded, based upon available evidence, it is more likely than not that the U.S. federal, state, and local deferred tax assets at September 27, 2008, will not be realizable. Therefore, a valuation allowance has been provided against U.S. deferred tax assets.

Net Loss

The reduction of \$1.0 million, or 68%, in the net loss for the three months ended September 27, 2008, reflects the increase in the operating income and reduction in interest expense. The reduction of \$9.0 million, or

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44%, in the net loss for the nine months ended September 27, 2008, reflects the increase of \$12.7 million in operating income partially offset by the increase in interest expense with Acquisition-related debt outstanding for the full nine months in 2008.

Liquidity and Capital Resources

Our primary source of liquidity has been available cash and cash equivalents, cash flows from operating activities, and a line of credit available under a revolving credit facility. Cash and cash equivalents amounted to \$18.1 million at September 27, 2008, cash flow from operating activities was \$10.9 million for the nine months ended September 27, 2008, and a line of credit of \$49.6 million was available under the revolving credit facility. Based on our current level of operations, we believe our cash and cash equivalents, cash flow from operations, and line of credit available under the revolving credit facility will be adequate to meet our liquidity needs for at least the next twelve months.

Cash and cash equivalents of \$18.1 million is composed of highly liquid instruments with original maturities of 90 days or less. Vangent does not invest in auction-rate securities or high yield, high risk securities. Cash in bank accounts at times may exceed federally insured limits. Cash equivalents or marketable securities are comprised of repurchase agreements with major commercial banks under which cash is invested in U.S. Treasury and U.S. government agency securities.

The \$49.6 million line of credit available under the revolving credit facility is based on the senior secured credit facility between Vangent and a syndicate of banks led by Wachovia Bank, N.A. Wachovia Bank, N. A. provides \$16.0 million of the available line of credit and is the counterparty to interest rate swap agreements for the notional amount of \$190.0 million at September 27, 2008. Vangent is continuing to monitor recent market events and evaluate counterparty creditworthiness and considers the likelihood of counterparty default to be remote.

Our long-term debt matures in the years 2013 and 2015. In view of current credit market conditions and our credit ratings and in the event we were to refinance the senior secured credit facility or the senior subordinated notes, we would likely encounter higher interest rates and limited availability of debt financing capacity.

A summary of working capital follows (in thousands):

	December 31, 2007	September 27, 2008
Cash and cash equivalents	\$ 26,093	\$ 18,091
Trade receivables, net	112,292	111,718
Other receivables and prepaid items	15,470	14,958
Current portion of long-term debt	(7,325)	—
Accounts payable and accrued expenses	(63,248)	(59,888)
Accrued interest payable	(8,547)	(3,395)
Deferred tax liability	(852)	(4,098)
Advance payments on contracts	(4,444)	(2,537)
Working capital	<u>\$ 69,439</u>	<u>\$ 74,849</u>

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A summary of net cash flows follows (in thousands):

	Predecessor Entity	Successor Entity	
	Period January 1 to February 14, 2007	Period February 15 to September 29, 2007	Nine Months Ended September 27, 2008
Cash flows (used in) provided by:			
Operating activities	\$ (18,896)	\$ 15,993	\$ 10,942
Investing activities	(3,727)	(619,618)	(10,688)
Financing activities	13,271	618,122	(8,039)

Operating Activities

Net cash flow provided by operating activities of \$10.9 million for the nine months ended September 27, 2008, reflects the net loss of \$11.4 million adjusted by noncash charges of \$26.4 million (\$15.9 million for amortization of intangible assets and \$10.5 million for depreciation and amortization of property and equipment) and a net reduction of \$6.2 million in accounts payable and accrued expenses.

Net cash flow provided by operating activities of \$16.0 million for the period February 15 to September 29, 2007, reflects a net increase of \$21.4 million in accounts payable and accrued liabilities and a net increase of \$4.7 million in accrued interest payable on long-term debt, partly offset by a net increase of \$14.5 in other receivables and prepaid and other assets. The net loss of \$20.1 million was offset by noncash charges of \$20.8 million (\$13.0 million for amortization of intangible assets and \$7.8 million for depreciation and amortization of property and equipment).

Net cash flow used in operating activities of \$18.9 million by the Predecessor Entity for the period January 1 to February 14, 2007, reflects an increase of \$16.4 million in accounts receivable from the timing of customer collections.

Investing Activities

Cash paid to purchase the government health integration group of Aptiv Technology Partners in May 2008 amounted to \$3.9 million, including acquisition fees.

Capital expenditures funded in cash amounted to \$6.8 million for the nine months ended September 27, 2008, and are expected to total up to \$14.5 million for 2008 primarily for anticipated contractual and general infrastructure requirements and new business growth. Noncash investing and financing activities included leasehold improvements of \$2.5 million recorded under an operating lease for office space. Other liabilities increased for the corresponding deferred rent obligation under the operating lease.

Net cash flow of \$619.6 million used in investing activities for the period February 15 to September 29, 2007, reflects \$615.2 million resulting from the Acquisition.

Net cash flow of \$3.7 million used in investing activities by the Predecessor Entity for the period January 1 to February 14, 2007, represents capital expenditures.

Financing Activities

Net cash used in financing activities of \$8.0 million for the nine months ended September 27, 2008 reflects debt repayments of \$7.8 million, primarily a mandatory prepayment under the senior secured credit facility based on a percentage of annual excess cash flow, as defined.

Net cash of \$618.1 million provided by financing activities for the period February 15 to September 29, 2007, reflects debt of \$430.0 million and equity of \$203.5 million issued in connection with the Acquisition. Debt financing costs of \$14.0 million were paid in connection with financing for the Acquisition.

Net cash of \$13.3 million provided by financing activities for the period January 1 to February 14, 2007, reflects a net investment by Predecessor Entity.

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Senior Secured Credit Facility

At September 27, 2008, the senior secured credit facility consisted of a term loan of \$230.4 million due February 14, 2013, an available revolving credit facility of up to \$49.6 million that expires February 14, 2012 and a letter of credit of \$0.4 million. There were no borrowings outstanding under the revolving credit facility at September 27, 2008 or December 31, 2007. A commitment fee of .50% per year is paid on the available unused portion of the revolving credit facility.

Borrowings under the senior secured credit facility bear interest at a rate equal to, at the Company's option, either: (i) the base rate, as defined, plus an applicable margin of 1.00-1.50%, or (ii) the adjusted LIBOR rate, as defined, plus an applicable margin of 2.00-2.50%. The term loan is scheduled to be repaid in 11 quarterly installments of \$0.6 million beginning June 2010 with the balance due February 14, 2013. Borrowings are subject to mandatory prepayment with (i) 100% of the net cash proceeds of certain asset sales; (ii) 50% of the net cash proceeds of equity offerings or capital contributions subject to certain exceptions; (iii) 100% of the net cash proceeds of additional debt; and (iv) a percentage of annual excess cash flow, as defined. Payments resulting from the annual excess cash flow requirement are due 90 days following the year end. Because the excess cash flow requirement is based on annual cash flow, it is not possible to estimate the amount, if any, that would become payable in March 2009 or subsequent years.

Borrowings are secured by accounts receivable, cash, intellectual property and other assets and are guaranteed, jointly and severally, by all existing and future domestic subsidiaries. Foreign subsidiaries do not guarantee the borrowings. The senior secured credit facility contains various customary affirmative and negative covenants and events of default, including, but not limited to, restrictions on the disposal of assets, incurring additional indebtedness or guarantee obligations, paying dividends, creating liens on assets, making investments, loans or advances, and compliance with a maximum total leverage ratio. At September 27, 2008, the Company was in compliance with the covenants.

9 5/8% Senior Subordinated Notes

In February 2007, the Company completed an offering of \$190.0 million principal amount of 9 5/8 % senior subordinated notes due February 15, 2015. Interest accrues at the fixed rate of 9 5/8% and is paid semi-annually. Proceeds of the offering were used to fund the Acquisition. The notes are general unsecured obligations of the Company and are subordinated to all existing and future senior loans including borrowings under the senior secured credit facility. The notes are guaranteed, jointly and severally, by all existing and future domestic subsidiaries. Foreign subsidiaries do not guarantee the notes.

In the event of an equity offering on or prior to February 15, 2010, the Company may redeem the notes with the net cash proceeds of one or more equity offerings at 109.625% of the principal amount, provided that at least 65% of the principal amount of the notes originally issued remains outstanding immediately following such redemption.

With respect to a redemption not related to an equity offering at any time prior to February 15, 2011, the Company may redeem all or part of the notes at a redemption price of 100% of the principal amount plus an applicable premium, as defined, and additional interest, as defined. The notes are redeemable at the option of the Company at the redemption price of 104.8125% of the principal amount on or after February 15, 2011, 102.4063% on or after February 15, 2012, and 100% on or after February 15, 2013.

Interest Rate Swaps on Variable-Rate Term Loan under Senior Secured Credit Facility

The Company has entered into interest rate swap agreements with Wachovia Bank N.A., the counterparty, to hedge fluctuations in LIBOR interest rates on a portion of the term-loan borrowing under the senior secured credit facility. The Company exchanged its floating LIBOR interest rate for a fixed interest rate, as follows (dollars in millions):

<u>Date Entered</u>	<u>Notional Amount</u>	<u>Fixed Interest Rate to be Paid</u>	<u>Variable Interest Rate to be Received</u>	<u>Period Covered</u>
February 2007	\$ 140.0	5.215%	LIBOR	February 2007 to February 2008
	120.0	5.215%	LIBOR	February 2008 to February 2009
	110.0	5.215%	LIBOR	February 2009 to February 2010
April 2008	\$ 75.0	3.280%	LIBOR	April 2008 to February 2010
	150.0	3.280%	LIBOR	February 2010 to February 2011

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The Company documented its risk management objective and nature of the risks being hedged and has designated the interest rate swaps as cash flow hedges at inception of the agreements. The Company performs a quarterly analysis of the effectiveness of the hedge and has concluded that the hedging relationship is highly effective due to the consistency of critical terms of the interest rate swap and related term loan under the senior secured credit facility. The fair value of the net interest rate swap liability was \$2.7 million at September 27, 2008, resulting in an unrealized loss of \$2.5 million reported in accumulated other comprehensive loss in the consolidated statement of stockholder's equity and a realized loss of \$0.2 million for the ineffective portion reported as interest expense.

In the unlikely event that the counterparty fails to meet the terms, the Company's exposure is limited to the interest rate differential on the notional amount at each quarterly settlement period over the life of the agreement. We do not anticipate non-performance by the counterparty. The use of derivative financial instruments is limited to interest rate swaps, the purpose of which is to hedge interest expense on a portion of the variable-rate term loan. The Company does not hold or issue derivative financial instruments for speculative purposes.

Credit Ratings

The debt-to-equity ratio was 248% at September 27, 2008, compared with 238% at December 31, 2007. The most recent ratings were assigned by Standard and Poor's in April 2007 and by Moody's in January 2007, as follows:

	Standard & Poor's	Moody's
Senior secured credit facility	BB	Ba3
Senior subordinated notes due 2015	B-	Caal
Corporate credit	B+	B-2
Outlook	Negative	Stable

Contractual Obligations

Contractual commitments to make future cash payments under long-term debt agreements, contracts and contingent commitments at September 27, 2008, follow (in millions):

	Total	Payments Due by Period				
		Remainder of 2008	2009	2010 and 2011	2012 and 2013	Thereafter
Long-term debt:						
Term loan under senior secured credit facility (1)	230.4	\$ —	\$ —	\$ 4.2	\$ 226.2	\$ —
Senior subordinated notes due 2015	190.0	—	—	—	—	190.0
Interest relating to long-term debt (2)	172.4	3.7	32.3	58.9	50.1	27.4
Operating and capital leases	72.8	4.5	16.6	22.2	13.9	15.6
Purchase commitments (3)	20.1	2.7	17.4	—	—	—
	<u>\$ 685.7</u>	<u>\$ 10.9</u>	<u>\$ 66.3</u>	<u>\$ 85.3</u>	<u>\$ 290.2</u>	<u>\$ 233.0</u>

- (1) There were no borrowings under the revolving credit facility at September 27, 2008. Scheduled payments for the term loan under the senior secured credit facility do not give effect to possible future additional mandatory payments resulting from excess cash flow.
- (2) Future interest payments consist of interest on the variable-rate term loan under the senior secured credit facility based on the prevailing rate of 4.82% at September 27, 2008, the related interest rate swap, and the fixed rate of 9 5/8% for the senior subordinated notes.
- (3) Purchase commitments represent the minimum noncancelable obligations under service agreements, primarily information technology and telecommunications services.

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Off-Balance Sheet Arrangements

As of September 27, 2008, there were no off-balance sheet arrangements other than operating leases for office facilities for which future minimum lease payments aggregated \$72.8 million and a letter of credit of \$0.4 million issued under the senior secured credit facility.

Recent Accounting Pronouncements

Reference is made to the notes to the condensed consolidated financial statements for information on recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments

The fair value of financial instruments at September 27, 2008, follows (in millions):

	Carrying Amount	Fair Value
Long-term debt:		
Variable-rate term loan under senior secured credit facility	\$ 230.4	\$ 230.4
9 5/8% senior subordinated notes, due February 15, 2015	\$ 190.0	\$ 154.9
Net liability:		
Interest rate swaps	\$ 2.7	\$ 2.7

The carrying amount of the variable-rate term loan under the senior secured credit facility approximates fair value. The fair value of the 9 5/8% senior subordinated notes is based on quoted market prices; the fair value changes based on market conditions and changes in interest rates. The carrying amounts of other financial instruments, including cash and cash equivalents, trade accounts receivable and accounts payable and accrued expenses, approximate fair value due to their short term nature.

Interest Rate Risk

We are subject to interest rate risk in connection with cash and cash equivalents and the unhedged portion of the variable-rate term loan and the available revolving variable-rate credit facility under the senior secured credit facility. At September 27, 2008, cash and cash equivalents amounted to \$18.1 million, the unhedged portion of the outstanding term loan was \$35.4 million, and \$49.6 million was available under the revolving credit facility. A one percent change in variable interest rates would result in an increase/decrease of \$0.4 million in annual interest expense for the unhedged portion of the term loan.

Foreign Currency Risk

Changes in foreign currency exchange rates affect the reported operating results of the International Group. Foreign operations use their local currency as their functional currency. Changes in exchange rates vs. the U.S. dollar resulted in a revenue reduction of \$0.2 million in the three months and an increase of \$1.1 million in the nine months ended September 27, 2008, compared with average rates prevailing in the corresponding periods in 2007.

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Inflation Risk

We have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer-term fixed-unit price and time and materials contracts typically include sufficient labor and other cost escalations in amounts expected to cover cost increases over the period of performance. Consequently, since costs and revenue include an inflationary increase commensurate with the general economy where we operate, our gross margin expressed as a percentage of revenue has not been significantly impacted by inflation.

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act are: (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended September 27, 2008, there have been no changes in the internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Transportation Security Administration

Our contracts with the federal government are subject to various legal and regulatory requirements and, from time to time, agencies of the federal government may investigate the conduct of our operations in accordance with these requirements. The United States government, through the Department of Justice ("DOJ") and the Inspector General of the Department of Homeland Security, conducted an investigation to determine whether we and NCS Pearson violated the Civil False Claims Act and other federal laws in connection with a contract awarded by the Transportation Security Administration to us in 2002. Vangent and NCS Pearson have consistently denied that the United States has any valid claim against either of them in connection with the TSA contract.

In October 2008, NCS Pearson and Vangent, without admitting any liability, executed a settlement and release agreement which Vangent expects DOJ will sign within 60 days. Under the settlement and release agreement, NCS Pearson will pay \$5.6 million to the United States and Vangent will pay \$2.8 million to NCS Pearson. Vangent's obligation of \$2.8 million under the settlement and release agreement is reflected as an accrued liability on the consolidated balance sheet as of September 27, 2008.

ITEM 1A. RISK FACTORS

As a result of current market conditions and recent economic events, the information relating to risk factors reported in our annual report on Form 10-K for the year ended December 31, 2007, is updated to include the following:

Our Substantial Debt Obligations. Our long-term debt matures in the years 2013 and 2015. In view of current credit market conditions and our credit ratings and in the event we were to refinance the senior secured credit facility or the senior subordinated notes, we would likely encounter higher interest rates and limited availability of debt financing capacity.

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Subcontractors' Failure to Perform Their Contractual Obligations. As a prime contractor, we often rely significantly upon other companies as subcontractors to perform work we are obligated to perform for our customers. In view of current market conditions, if one or more of our subcontractors fails to perform satisfactorily the agreed upon services on a timely basis, our ability to perform our obligations or meet our customers' expectations as a prime contractor may be compromised. In some cases, we have limited involvement in the work performed by the subcontractors but are nevertheless responsible for the work performed. In extreme cases, performance or other deficiencies on the part of our subcontractors could result in a customer terminating our contract for default. A default termination could expose us to liability for a federal government agency's costs of re-procurement, damage our reputation and could hurt our ability to compete for future federal government contracts.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1 *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Vangent, Inc.

November 10, 2008

/s/ James C. Reagan
James C. Reagan
Senior Vice President and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

VANGENT, INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John M. Curtis, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 27, 2008, of Vangent, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 10, 2008

/s/ John M. Curtis

John M. Curtis
President and Chief Executive Officer

VANGENT, INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James C. Reagan, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 27, 2008, of Vangent, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 10, 2008

/s/ James C. Reagan

James C. Reagan
Senior Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Vangent, Inc. (the "Company") on Form 10-Q for the three months ended September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Curtis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

November 10, 2008

/s/ John M. Curtis
John M. Curtis
President and Chief Executive Officer

A signed original of this written statement has been provided to Vangent and will be retained by Vangent and furnished to the SEC or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Vangent, Inc. (the "Company") on Form 10-Q for the three months ended September 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Reagan, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

November 10, 2008

/s/ James C. Reagan

James C. Reagan

Senior Vice President and Chief Financial Officer

A signed original of this written statement has been provided to Vangent and will be retained by Vangent and furnished to the SEC or its staff upon request.
