This Quarterly Report is not filed with the Securities and Exchange Commission. This Quarterly Report is being furnished pursuant to the Indenture governing the 10.375% Senior Notes due 2017 and the $720 million Senior Secured Credit Facilities of DynCorp International Inc.

QUARTERLY REPORT

For the quarterly period ended April 1, 2011

DELTA TUCKER HOLDINGS, INC.

(Exact name of Company as specified in its charter)

Delaware	**27-2525959**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3190 Fairview Park Drive, Suite 700, Falls Church, Virginia 22042
(571) 722-0210

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Disclosure Regarding Forward-Looking Information

This Quarterly Report contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our expectation or belief concerning future events. Without limiting the foregoing, the words "believes," "thinks," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties. Statements regarding the amount of our backlog and estimated total contract values are other examples of forward-looking statements. We caution that these statements are further qualified by important economic, competitive, governmental, international and technological factors that could cause our business, strategy, projections or actual results or events to differ materially, or otherwise, from those in the forward-looking statements. These factors, risks and uncertainties include, among others, the following:

- the future impact of mergers acquisitions, joint ventures or teaming agreements;
- our substantial level of indebtedness and changes in availability of capital and cost of capital;
- the outcome of any material litigation, government investigation, audit or other regulatory matters;
- policy and/or spending changes implemented by the Obama Administration, any subsequent administration or Congress;
- termination or modification of key United States ("U.S.") government or commercial contracts, including subcontracts;
- changes in the demand for services that we provide or work awarded under our contracts, including without limitation, the Civilian Police, International Narcotics and Law Enforcement, Worldwide Personal Protection Services and Logistics Civil Augmentation Program ("LOGCAP IV") contracts;
- pursuit of new commercial business in the U.S. and abroad;
- activities of competitors and the outcome of bid protests;
- changes in significant operating expenses;
- impact of lower than expected win rates for new business;
- general political, economic, regulatory and business conditions in the U.S. or in other countries in which we operate;
- acts of war or terrorist activities;
- variations in performance of financial markets;
- the inherent difficulties of estimating future contract revenue and changes in anticipated revenue from indefinite delivery, indefinite quantity contracts;
- the timing or magnitude of any award fee granted under our government contracts, including, but not limited to, LOGCAP IV;
- changes in expected percentages of future revenue represented by fixed-price and time-and-materials contracts, including increased competition with respect to task orders subject to such contracts;
- termination or modification of key subcontractor performance or delivery;
- lower than anticipated award fee determinations by the U.S. government; and
- statements covering our business strategy, those described in "Item 1A. Risk Factors" and other risks detailed from time to time in our reports posted to our website or made available publicly through other means.

Accordingly, such forward-looking statements do not purport to be predictions of future events or circumstances and therefore, there can be no assurance that any forward-looking statement contained herein will prove to be accurate. We assume no obligation to update the forward-looking statements.

Calendar Year

We report the results of our operations using a 52-53 week basis ending on the Friday closest to December 31. Included in this Quarterly Report are the consolidated financial statements for Delta Tucker Holdings, Inc. for the three months ended April 1, 2011 and the consolidated financial statements for DynCorp International Inc. for the three months ended April 2, 2010, in order to provide comparable periods. We acquired DynCorp International Inc. by merger on July 7, 2010. DynCorp International's historical fiscal year presentation was comprised of twelve consecutive fiscal months ended on the Friday closest to March 31 of each year. DynCorp International Inc.'s last completed fiscal year, prior to the merger on July 7, 2010, ended on April 2, 2010 (fiscal year 2010). For clarity in this Quarterly Report, we refer to the fiscal periods of DynCorp International Inc. that ended prior to the merger as those of the "Predecessor".

DELTA TUCKER HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in thousands)

	Three Months Ended April 1, 2011
Revenue	$ 884,324
Cost of services	(806,191)
Selling, general and administrative expenses	(37,527)
Depreciation and amortization expense	(13,131)
Earnings from equity method investees	4,726
Operating income	32,201
Interest expense	(23,506)
Loss on early extinguishment of debt	(2,397)
Interest income	75
Other income, net	2,848
Income before income taxes	9,221
Provision for income taxes	(3,575)
Net income	5,646
Noncontrolling interest	(738)
Net income attributable to Delta Tucker Holdings, Inc.	$ 4,908

See notes to unaudited condensed consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
(Amounts in thousands, except share data)

	As of	
	April 1, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,740	$ 52,537
Restricted cash	24,024	9,342
Accounts receivable, net of allowances of $685 and $558, respectively	842,989	782,095
Prepaid expenses and other current assets	92,361	150,613
Total current assets	981,114	994,587
Property and equipment, net	25,927	26,497
Goodwill	679,371	679,371
Tradename, net	43,794	43,839
Other intangibles, net	344,219	355,129
Other assets, net	154,403	163,932
Total assets	$ 2,228,828	$ 2,263,355
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 5,212	$ 5,700
Accounts payable	295,328	297,821
Accrued payroll and employee costs	130,579	99,295
Deferred income taxes	106,889	90,726
Other accrued liabilities	135,699	147,859
Income taxes payable	3,151	3,471
Total current liabilities	676,858	644,872
Long-term debt, less current portion	969,000	1,018,512
Long-term deferred taxes	23,210	36,900
Other long-term liabilities	37,247	45,745
Total liabilities	1,706,315	1,746,029
Commitments and contingencies		
Equity:		
Common stock, $0.01 par value – 1,000 shares authorized and 100 shares issued and outstanding at April 1, 2011 and December 31, 2010, respectively.	—	—
Additional paid-in capital	550,586	550,492
Accumulated deficit	(32,751)	(37,659)
Accumulated other comprehensive income	418	142
Total equity attributable to Delta Tucker Holdings, Inc.	518,253	512,975
Noncontrolling interest	4,260	4,351
Total equity	522,513	517,326
Total liabilities and equity	$ 2,228,828	$ 2,263,355

See notes to unaudited condensed consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	Three Months Ended April 1, 2011
Cash flows from operating activities	
Net income	$ 5,646
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	13,523
Loss on early extinguishment of debt	2,397
Amortization of deferred loan costs and bond discount amortization	2,134
Allowance for losses on accounts receivable	614
(Gain)/Loss on impairment or disposition of assets, net	656
Earnings from equity method investees	(6,790)
Distributions from affiliates	7,043
Deferred income taxes	2,473
Changes in assets and liabilities:	
Restricted cash	(14,683)
Accounts receivable	(61,508)
Prepaid expenses and other current assets	18,336
Accounts payable and accrued liabilities	7,930
Income taxes receivable	48,061
Net cash provided by operating activities	25,832
Cash flows from investing activities	
Purchase of property and equipment, net	(862)
Proceeds from sale of property, plant, and equipment	41
Purchase of software	(957)
Return of capital from equity method investees	1,497
Net cash used in investing activities	(281)
Cash flows from financing activities	
Borrowings on long-term debt	55,600
Payments on long-term debt	(105,600)
Payments related to financed insurance	(5,933)
Payment of dividends to noncontrolling interest	(415)
Net cash used in financing activities	(56,348)
Net decrease in cash and cash equivalents	(30,797)
Cash and cash equivalents, beginning of period	52,537
Cash and cash equivalents, end of period	$21,740
Income taxes (received)/ paid ,net	$ (46,672)
Interest paid	$32,320

See notes to unaudited condensed consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity Attributable to Delta Tucker Holdings, Inc.	Noncontrolling Interest	Total Equity
Balance at December 31, 2010	**—**	**$ —**	**$ 550,492**	**$ (37,659)**	**$ 142**	**$ 512,975**	**$ 4,351**	**$ 517,326**
Comprehensive income:								
Net income			—	5,646	—	5,646	—	5,646
Currency translation adjustment, net of tax			—	—	276	276	—	276
Comprehensive income			—	5,646	276	5,922	—	5,922
Noncontrolling interest			—	(738)	—	(738)	—	(738)
Comprehensive income attributable to Delta Tucker Holdings, Inc.			—	4,908	276	5,184	—	5,184
Net income and comprehensive income attributable to noncontrolling interest			—	—	—	—	738	738
DIFZ financing, net of tax			94		—	94	—	94
Dividends declared to noncontrolling interest				—	—	—	(829)	(829)
Balance at April 1, 2011	**—**	**$ —**	**$ 550,586**	**$ (32,751)**	**$ 418**	**$ 518,253**	**$ 4,260**	**$ 522,513**

See notes to unaudited condensed consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation and Accounting Policies

Basis of Presentation

We are a leading provider of specialized, mission-critical professional and support services for the U.S. military, non-military U.S. governmental agencies and foreign governments. Our specific global expertise is in law enforcement training and support, security services, base and logistics operations, intelligence training, rule of law development, construction management, platform services and operations, and linguist services. We also provide logistics support for all our services. Unless the context otherwise indicates, references herein to "we," "our," "us," or "the Company" refer to Delta Tucker Holdings, Inc. and our consolidated subsidiaries. Delta Tucker Holdings, Inc., through its subsidiaries (together, the "Company"), provides defense and technical services and government outsourced solutions primarily to U.S. government agencies domestically and internationally. Primary customers include the U.S. Department of Defense ("DoD") and U.S. Department of State ("DoS"), but also include other government agencies, foreign governments and commercial customers.

The Company was incorporated in the state of Delaware on April 1, 2010. On July 7, 2010, DynCorp International Inc. ("DynCorp International") completed a merger with Delta Tucker Sub, Inc., a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger dated as of April 11, 2010, Delta Tucker Sub, Inc. merged with and into DynCorp International, with DynCorp International becoming the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). Holders of DynCorp International's stock received $17.55 in cash for each outstanding share and since Cerberus Capital Management, L.P. ("Cerberus") indirectly owns all of our the outstanding equity, DynCorp International's stock is no longer publicly traded as of the Merger.

The consolidated financial statements include the accounts of the Company and our domestic and foreign subsidiaries. These consolidated financial statements have been prepared, without audit, pursuant to accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Certain information and footnote disclosures normally included in financial statements, prepared in accordance with GAAP, have been condensed or omitted pursuant to such rules and regulations. However, we believe that all disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto included in the Company's fiscal 2010 Annual Report, available on the Company's website at www.dyn-intl.com.

In the opinion of management, all adjustments , consisting of normal recurring adjustments, necessary to fairly present our financial position at April 1, 2011 and December 31, 2010, and the results of operations and cash flows for the three months ended April 1, 2011, have been included. The results of operations for the three months ended April 1, 2011 are not necessarily indicative of the results to be expected for the full calendar year or for any future periods. We use estimates and assumptions required for preparation of the financial statements. The estimates are primarily based on historical experience and business knowledge and are revised as circumstances change. However, actual results could differ from the estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of both our domestic and foreign subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company has investments in joint ventures that are variable interest entities ("VIEs"). The VIE investments are accounted for in accordance with Financial Accounting Standards Board Codification ("ASC") ASC 810 — *Consolidation*. In cases where the Company has (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE, the Company consolidates the entity. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method.

The Company classifies its equity method investees in two distinct groups based on management's day-to-day involvement in the operations of each entity and the nature of each joint venture's business. If the joint venture is deemed to be an extension of one of our Business Area Teams ("BATs"), and operationally integral to the business, our share of the

joint venture's earnings is reported within operating income in "Earnings from equity method investees" in the consolidated statement of operations. If the Company considers our involvement less significant, our share of the joint venture's net earnings is reported in "Other income, net" in the consolidated statement of operations.

Economic rights in active joint ventures that are operationally integral are indicated by the ownership percentages in the table listed below.

Global Linguist Solutions LLC	51.0 %
Contingency Response Services LLC	45.0 %
Partnership for Temporary Housing LLC	40.0 %
Mission Readiness, LLC	40.0 %

Economic rights in a joint venture that the Company does not consider operationally integral are indicated by the ownership percentage in the table listed below.

Babcock DynCorp Limited	44.0 %

Noncontrolling interest

We record the impact of our consolidated joint venture partner's interest as noncontrolling interest. Noncontrolling interest is presented on the face of the statement of operations as an increase or reduction in arriving at "Net income attributable to Delta Tucker Holdings, Inc." Noncontrolling interest on the balance sheet is located in the equity section.

Accounting Policies

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in our Annual Report for the period from April 1, 2010 (Inception) to December 31, 2010 available on our website, except for the adoption of Financial Accounting Standards Update ("ASU") 2009-13 ("ASU 2009-13") — *Revenue Recognition Multiple-Deliverable Revenue* as discussed in "Accounting Developments" and "Other Contracts or Contract Elements" below.

Other Contracts or Contract Elements

Our contracts with non-federal government customers are predominantly multiple element arrangements. Multiple-element arrangements involve multiple obligations in various combinations to perform services, deliver equipment or materials, grant licenses or other rights, or take certain actions. We evaluate all deliverables in an arrangement to determine whether they represent separate units of accounting. For contracts in execution prior to January 1, 2011, arrangement consideration is allocated among the separate units of accounting based on their relative fair values. Fair values are established by evaluating vendor specific objective evidence ("VSOE") or third-party evidence if available. Due to the customized nature of our arrangements, VSOE and third-party evidence is generally not available resulting in applicable arrangements being accounted for as one unit of accounting. For contracts executed after January 1, 2011, arrangement consideration is allocated among the separate units of accounting based on their relative selling price. Relative selling price is established by evaluating VSOE, third-party evidence, or management's best estimate of selling price. Due to the customized nature of our arrangements, VSOE and third-party evidence is generally not available resulting in applicable arrangements being accounted for using management's best estimate of selling price to identify the applicable units of accounting. There were no material contracts executed for the three months ended April 1, 2011.

Accounting Developments

Pronouncements Implemented

In October 2009, the FASB issued ASU No. 2009-13 — *Revenue Recognition Multiple-Deliverable Revenue Arrangements*. This update (i) removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, (ii) replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the fair

value measurements and disclosures guidance, (iii) provides a hierarchy that entities must use to estimate the selling price, (iv) eliminates the use of the residual method for allocation, and (v) expands the ongoing disclosure requirements. The impact of this ASU will be limited to new or significantly modified non-U.S. government contracts. The amendments in this update are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We adopted ASU No. 2009-13 during the quarter ended April 1, 2011. The adoption of ASU No. 2009-13 did not impact any of our contracts during the quarter ended April 1, 2011.

In October 2009, the FASB issued ASU No. 2009-14 — Certain Revenue Arrangements That Include Software Elements, which updates ASC 985 — Software and clarifies which accounting guidance should be used for purposes of measuring and allocating revenue for arrangements that contain both tangible products and software, and where the software is more than incidental to the tangible product as a whole. The amendments in this update is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The adoption of this ASU did not have a material effect on our consolidated financial position and results of operations.

Note 2 — Goodwill and other Intangible Assets

The following table provides information about our goodwill balances for our three segments, Global Stabilization and Development Solutions ("GSDS"), Global Platform Support Solutions ("GPSS"), and Global Linguist Solutions LLC ("GLS"):

(Amounts in thousands)	GSDS	GPSS	GLS	Total
Goodwill balance as of December 31, 2010	$119,386	$ 559,985	$ —	$ 679,371
Goodwill balance as of April, 1 2011	$119,386	$559,985	$ —	$679,371

The following tables provide information about changes relating to certain intangible assets:

	As Of April 1, 2011			
(Amounts in thousands, except years)	**Weighted Average Useful Life (Years)**	**Gross Carrying Value**	**Accumulated Amortization**	**Net**
Other intangible assets:				
Customer-related intangible assets	8.3	$350,912	$(29,943)	$320,969
Other	5.3	29,282	(6,032)	23,250
Total other intangibles		$380,194	$(35,975)	$344,219
Tradenames :				
Finite-lived	4.1	$869	$(133)	$736
Indefinite-lived		43,058	—	43,058
Total tradenames		$43,927	$(133)	$43,794

Amortization expense for customer-related intangibles, other intangibles, and finite-lived tradename was $12.1 million for the three months ended April 1, 2011.

(Amounts in thousands, except years)	Weighted Average Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net
	As Of December 31, 2010			
Other intangible assets:				
Customer-related intangible assets	9.2	$350,913	$ (20,003)	$330,910
Other	6.1	28,093	(3,874)	24,219
Total other intangibles		$379,006	$ (23,877)	$355,129
Tradenames :				
Finite-lived	4.8	$869	$ (88)	$ 781
Indefinite-lived		43,058	—	43,058
Total tradenames		$ 43,927	$ (88)	$ 43,839

The following table outlines an estimate of future amortization based upon the finite-lived intangible assets owned at April 1, 2011:

	Amortization Expense [1]
	(Amounts in thousands)
Estimate for nine month period ended December 30, 2011	$34,935
Estimate for calendar year 2012	44,627
Estimate for calendar year 2013	43,225
Estimate for calendar year 2014	42,482
Estimate for calendar year 2015	41,015
Thereafter	138,671

(1) The future amortization is inclusive of the finite-lived intangible-assets and finite-lived tradename.

Note 3 — Composition of Certain Financial Statement Captions

The following tables present financial information of certain consolidated balance sheet captions.

Prepaid expenses and other current assets — Prepaid expenses and other current assets were:

(Amounts in thousands)	As Of April 1, 2011	As Of December 31, 2010
Prepaid expenses	$ 32,542	$ 34,801
Prepaid income taxes	7,130	54,927
Inventories	7,757	11,034
Available-for-sale inventory	12,714	10,485
Work-in-process	6,467	5,132
Joint venture receivables	9,160	5,005
Favorable contracts	15,785	23,096
Other current assets	806	6,133
Total	$ 92,361	$ 150,613

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets. Prepaid income taxes represents refunds expected through the remainder of the year related to our change in accounting method for taxes. We value our inventory at lower of cost or market. Available-for-sale-inventory was made up of nine helicopters that are not to be deployed on existing programs and at April 1, 2011, aircraft parts

inventory related to the loss of the LCCS Navy contract was also included. In March 2011, we entered into an agreement to sell two of the helicopters. We expect the sale to close in the second quarter of calendar year 2011.

Property and equipment, net — Property and equipment, net were:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Helicopters	$ 8,087	$ 8,087
Computers and other equipment	9,315	9,119
Leasehold improvements	7,011	6,953
Office furniture and fixtures	5,145	4,598
Gross property and equipment	29,558	28,757
Less accumulated depreciation	(3,631)	(2,260)
Property and equipment, net	$ 25,927	$ 26,497

Depreciation expense was $1.4 million for the three months ended April 1, 2011, including certain depreciation amounts classified as Cost of Services. The six helicopters that were included with Property and Equipment were placed in service in January 2011.

Other assets, net — Other assets, net were:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Deferred financing costs, net	$ 40,549	$ 45,080
Investment in affiliates	105,158	107,217
Palm promissory notes, long-term portion	5,334	5,482
Phoenix retention asset	—	3,128
Other	3,362	3,025
Total	$ 154,403	$ 163,932

Deferred financing cost is amortized through interest expense. Amortization related to deferred financing costs were $2.1 million. Deferred financing costs were reduced during the three months ended by $2.4 million related to the pro rata write –off of financing costs to loss on early extinguishment of debt as a result of the $48.6 million prepayment on the term loan. The Phoenix retention was reduced during the three months ended April 1, 2011, as a result of the acceleration of the retention bonus expense resulting from the restructurings of Phoenix entity.

Accrued payroll and employee costs — Accrued payroll and employee costs were:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Wages, compensation and other benefits	$ 104,954	$ 77,713
Accrued vacation	24,666	20,608
Accrued contributions to employee benefit plans	959	974
Total	$ 130,579	$ 99,295

Other accrued liabilities — Accrued liabilities were:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Deferred revenue	$ 3,572	$ 8,179
Insurance expense	41,942	22,342
Interest expense	12,408	23,380
Unfavorable contract liability	12,766	14,653
Contract losses	16,415	21,451
Legal matters	11,815	17,403
Subcontractor retention	16,257	14,574
Financed insurance	3,955	9,888
Other	16,569	15,989
Total	$ 135,699	$ 147,859

Deferred revenue is primarily due to payments in excess of revenue recognized. Contract losses relate to accrued losses recorded on certain contracts.

Other liabilities — Other long-term liabilities were:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Unfavorable contract liability	$ 12,943	$ 19,418
Unrecognized tax benefit	3,098	3,098
Unfavorable lease accrual	6,427	6,963
Long-term contract loss	9,777	11,143
Other	5,002	5,123
Total	$ 37,247	$ 45,745

Note 4 — Income Taxes

The provision for income taxes consists of the following:

(Amounts in thousands)		Three Months Ended April 1, 2011
Current portion:		
Federal	$	—
State		167
Foreign		778
		945
Deferred portion:		
Federal		2,586
State		72
Foreign		(28)
		2,630
Provision for income taxes	$	3,575

Deferred tax assets and liabilities are reported as:

(Amounts in thousands)	As Of			
	April 1, 2011		December 31, 2010	
Current deferred tax liabilities	$	(106,889)	$	(90,726)
Non-current deferred tax liabilities		(23,210)		(36,900)
Deferred tax liabilities, net	$	(130,099)	$	(127,626)

A reconciliation of the statutory federal income tax rate to our effective rate is provided below:

	April 1, 2011
Statutory rate	35.0%
State income tax, less effect of federal deduction	2.2%
Meals and entertainment	3.9%
Noncontrolling interests	(2.4)%
Other	0.1%
Effective tax rate	38.8%

As of April 1, 2011 and December 31, 2010, we had U.S. federal and state net operating losses of approximately $142.2 million and $298.2 million and $94.3 million and $250.5 million respectively. Our federal net operating losses will begin to expire in 2030, and our state net operating losses will begin to expire in 2015. Additionally, at April 1, 2011, we had foreign tax credit carry forwards of approximately $16.9 million that will begin to expire in 2017. We expect to fully utilize our federal and state net operating losses as well as our foreign tax credit carry forwards prior to their expiration.

In evaluating our need for a valuation allowance on deferred tax assets, including net operating loss and foreign tax credit carry forwards, we assessed such factors as the scheduled reversal of deferred tax liabilities, including the impact of available carry back and carry forward periods, projected future taxable income and available tax planning strategies. Based on this assessment, we concluded that no valuation allowance was necessary for the three months ended April 1, 2011.

As of April 1, 2011 and December 31, 2010, we had $12.9 million of total unrecognized tax benefits for both periods, respectively, of which $3.1 million is recorded as a liability with the remaining recorded as an off-set to the NOL deferred tax asset. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $6.6 million for both periods, respectively. It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, we do not expect the change to have a significant impact on the results of operations or our financial position.

Note 5 — Accounts Receivable

Accounts receivable, net consisted of the following:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
Billed	$ 285,401	$298,804
Unbilled	557,588	483,291
Total	$ 842,989	$782,095

Unbilled receivables as of April 1, 2011 and December 31, 2010, include $36.1 million and $31.3 million, respectively, related to costs incurred on projects for which we have been requested by the customer to begin work under a new contract or extend work under an existing contract, and for which formal contracts or contract modifications have not been executed at the end of the respective periods. This amount includes contract claims of $0.1 million as of April 1, 2011 and December 31, 2010. The balance of unbilled receivables consists of costs and fees billable immediately, on contract completion or other specified events, all of which is expected to be billed and collected within one year, except items that may result in a request for equitable adjustment or a formal claim.

Note 6 — Equity

The Company is authorized to issue up to 1,000 shares of common stock, par value $0.01 per share. As of April 1, 2011 and December 31, 2010, 100 common shares were issued and outstanding, respectively.

Note 7 — Long-Term Debt

Long-term debt consisted of the following:

	As Of	
(Amounts in thousands)	**April 1, 2011**	**December 31, 2010**
9.5% Senior subordinated notes	$ 637	$ 637
Term loan	518,575	568,575
10.375% Senior unsecured notes	455,000	455,000
Outstanding revolver borrowings	-	-
Total indebtedness	974,212	1,024,212
Less current portion of long-term debt	(5,212)	(5,700)
Total long-term debt	$ 969,000	$1,018,512

The current portion of long-term debt as of April 1, 2011 and December 31, 2010 was $5.2 million and $5.7 million, respectively, which is comprised of quarterly principal payments of $1.3 million and $1.4 million, respectively. Quarterly principal payments reflect an adjustment for a pre-payment of $48.6 million on the term loan made during the three months ended April 1, 2011.

Senior Credit Facility

We entered into a senior secured credit facility on July 7, 2010 (the "Senior Credit Facility"), with a banking syndicate and Bank of America, NA as Agent.

Our Senior Credit Facility is secured by substantially all of our assets and is guaranteed by substantially all of our subsidiaries. It provides for a six year, $570 million term loan facility ("Term Loan") and a four year, $150 million revolving credit facility ("Revolver"), including a $100 million letter of credit subfacility. As of April 1, 2011 and December 31, 2010, the additional available borrowing capacity under the Senior Credit Facility was approximately $121.5 million and $109.0 million, which gives effect to $28.5 million and $41.0 million, respectively, in letters of credit. The maturity date on the Term Loan is July 7, 2016 and the maturity date on the Revolver is July 7, 2014. Amounts borrowed under our Revolver were used to fund operations.

Interest Rates on Term Loan & Revolver

Both the Term Loan and Revolver bear interest at one of two options, based on our election, using either the (i) base rate ("Base Rate") as defined in the Senior Credit Facility plus an applicable margin or the (ii) London Interbank Offered Rate ("Eurocurrency Rate") as defined in the Senior Credit Facility plus an applicable margin. The applicable margin for the Term Loan is fixed at 3.5% for the Base Rate option and 4.5% for the Eurocurrency Rate option. The applicable margin for the Revolver ranges from 3.0% to 3.5% for the Base Rate option or 4.0% to 4.5% for the Eurocurrency Rate option based on our outstanding Secured Leverage Ratio at the end of the quarter. The Secured Leverage Ratio is calculated by the ratio of total secured consolidated debt (net of up to $25 million of unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, and depreciation & amortization ("Consolidated EBITDA"), as defined in the Senior Credit Facility. Interest payments on both the Term Loan and Revolver are payable at the end of the interest period as defined in the Senior Credit Facility, but not less than quarterly.

The Base Rate is equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate; provided that in no event shall the Base Rate be less than 1.00% plus the Eurocurrency Rate applicable to one month interest periods on the date of determination of the Base Rate. The variable Base Rate has a floor of 2.75%.

The Eurocurrency Rate is the rate per annum equal to the British Bankers Association London Interbank Offered Rate ("BBA LIBOR") as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) two Business Days prior to the commencement of such interest period. The variable Eurocurrency rate has a floor of 1.75%. As of April 1, 2011 and December 31, 2010, the applicable interest rate for our Term Loan was 6.25% and 6.25%, respectively.

Interest Rates on Letter of Credit Subfacility and Unused Commitment Fees

The letter of credit subfacility bears interest at the applicable margin for Eurocurrency Rate Loans, which ranges from 4.0% to 4.5%. The unused commitment fee ranges from 0.50% to 0.75% depending on the Secured Leverage Ratio, as defined in the Senior Credit Facility. Payments on both the letter of credit subfacility and unused commitments are payable quarterly in arrears. As of April 1, 2011 and December 31, 2010, the applicable interest rates for our letter of credit subfacility and unused commitment fees were 4.50% and 0.75%, respectively, for both periods. All of our letters of credit are also subject to a 0.25% fronting fee.

Principal Payments

Our Term Loan facility provides for quarterly principal payments of $1.4 million that began in December 2010. Additionally, there is an annual excess cash flow requirement, which is defined in the Senior Credit Facility. This excess cash flow requirement begins in calendar year 2012, based on our annual financial results in calendar year 2011, and could result in an additional principal payment. Our normal quarterly principal payments would be reduced by the amount of any additional principal payment from the excess cash flow requirement. Furthermore, certain transactions can trigger mandatory principal payments such as tax refunds, a disposition of a portion of the business or a significant asset sale.

During the three months ended April 1, 2011, we made a $48.6 million principal prepayment in addition to the $1.4 million scheduled quarterly principal payment provided for in the Senior Credit Facility. Deferred financing costs associated with the additional payment totaling $2.4 million were expensed and are included in "Loss on early extinguishment of debt" in our consolidated statement of operations for the three months ended April 1, 2011. There were no penalties associated with this prepayment. Pursuant to our Term Loan facility, the quarterly principal payments were reduced from $1.4 million to $1.3 million beginning April 2011.

Covenants

The Senior Credit Facility contains financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. The negative covenants in the Senior Credit Facility include, among other things, limits on our ability to:

- declare dividends and make other distributions;
- redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;
- grant liens;
- make loans or investments (including acquisitions);
- incur additional indebtedness;
- modify the terms of certain debt;
- restrict dividends from our subsidiaries;
- change our business or business of our subsidiaries;
- merge or enter into acquisitions;
- sell our assets;
- enter into transactions with our affiliates; and
- make capital expenditures.

In addition, the Senior Credit Facility stipulates a maximum total leverage ratio as defined in the Senior Credit Facility, and minimum interest coverage ratio as defined in the Senior Credit Facility, that we must maintain.

The total leverage ratio is the Consolidated Total Debt as defined in the Senior Credit Facility, less unrestricted cash and cash equivalents (up to $25 million) to Consolidated EBITDA as defined in the Senior Credit Facility, for the applicable period. Our total leverage ratio could not be greater than 5.0 to 1.0 for the period of July 3, 2010 to April 1, 2011. After April 1, 2011, the maximum total leverage ratio will diminish either quarterly or semi-annually.

The interest coverage ratio is the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the Senior Credit Facility. The interest coverage ratio must not be less than 2.35 to 1.0 for the period of July 3, 2010 to July 1, 2011. The minimum total leverage ratio increases either quarterly or semi-annually thereafter.

The fair value of our borrowings under our Senior Credit Facility approximates 101.0% and 100.8% of the carrying amount based on quoted values as of April 1, 2011 and December 31, 2010, respectively.

Senior Unsecured Notes

On July 7, 2010, DynCorp International Inc. completed an offering of $455 million in aggregate principal of 10.375% senior unsecured notes due 2017 (the "Senior Unsecured Notes"). The initial purchasers were Bank of America Securities LLC, Citigroup Global Markets Inc., Barclays Capital Inc. and Deutsche Bank Securities Inc. The Senior Unsecured Notes were issued under an indenture dated July 7, 2010 (the "Indenture"), by and among us, the guarantors party thereto (the "Guarantors"), including DynCorp International, and Wilmington Trust FSB, as trustee. The Senior Unsecured Notes mature on July 1, 2017. Interest on the Senior Unsecured Notes is payable on January 1 and July 1 of each year, and commenced on January 1, 2011.

The Senior Unsecured Notes contain various covenants that restrict our ability to enter into certain transactions. These include, but are not limited to, covenants that restrict our ability to incur additional indebtedness, make certain payments, including declaring or paying certain dividends, purchase or retire certain equity interests, retire subordinated indebtedness, make certain investments, sell assets, engage in certain transactions with affiliates, create liens on assets, make acquisitions and engage in mergers or consolidations. The aforementioned restrictions are considered to be in place unless we achieve investment grade ratings by both Moody's Investor Services and Standard and Poors.

We can redeem the Senior Unsecured Notes, in whole or in part, at defined redemption prices, plus accrued interest through the redemption date. The Indenture requires us to repurchase the Senior Unsecured Notes at defined prices in the event of certain asset sales and change of control events.

Call and Put Options

We can redeem the Senior Unsecured Notes, in whole or in part, at defined redemption prices, plus accrued interest through the redemption date. The Indenture Agreement requires us to repurchase the Senior Unsecured Notes at defined prices in the event of certain asset sales and change of control events.

The fair value of the Senior Unsecured Notes is based on their quoted market value. As of April 1, 2011 and December 31, 2010, the quoted market value of the Senior Unsecured Notes was approximately 108.1% and 102.1%, respectively, of stated value.

Note 8 — Commitments and Contingencies

Commitments

We have operating leases for the use of real estate and certain property and equipment which are either non-cancelable, cancelable only by the payment of penalties or cancelable upon one month's notice. All lease payments are based on the lapse of time but include, in some cases, payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms, but most leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in base rents, utilities and property taxes. Lease rental expense was $26.7 million for the three months ended April 1, 2011. We have no significant long-term purchase agreements with service providers.

Contingencies

General Legal Matters

We are involved in various lawsuits and claims that have arisen in the normal course of business. In most cases, we have denied, or believe we have a basis to deny any liability. Related to these matters, we have recorded reserves totaling approximately $11.8 million in "Other accrued liabilities" as of April 1, 2011. Liabilities in excess of those recorded, if any, arising from such matters may have a material adverse effect on our results of operations, consolidated financial condition or liquidity.

Pending Litigation and Claims

On May 14, 2008, a jury in the Eastern District of Virginia found against us in a case brought by a former subcontractor, Worldwide Network Services ("WWNS"), on two Department of State ("DoS") contracts, in which WWNS alleged racial discrimination, tortuous interference and certain other claims. WWNS was awarded approximately $20.5 million in compensatory, contractual and punitive damages and attorneys' fees, and we were awarded approximately $0.2 million on a counterclaim. On February 2, 2009, we filed an appeal with respect to this matter. On February 12, 2010, the Court of Appeals vacated $10 million in punitive damages, remanded the case for a new trial on punitive damages, and imposed a $350,000 cap on any possible new punitive damages award. WWNS filed a petition seeking re-hearings, which the Court denied. We reversed the previously accrued punitive damages of $10 million, in our Predecessor's 2010 fiscal year financial statements creating a reduction in Selling, general and administrative expenses. We believe we have adequate reserves recorded for this matter. On June 7, 2010, we paid WWNS the amount of the previously unpaid awarded nonpunitive damages, approximately $5.8 million. On June 25, 2010, WWNS filed a Petition for a Writ of Certiori to the U.S. Supreme Court, which was denied on

October 4, 2010. In 2011, we accrued and paid $0.4 million, the remainder of the legal fees associated with the case. On March 14, 2011, the trial court dismissed with prejudice the remanded punitive damages claim. The case is now closed.

On December 4, 2006, December 29, 2006, March 14, 2007 and April 24, 2007, four lawsuits were served, seeking unspecified monetary damages against DynCorp International LLC and several of its former affiliates in the U.S. District Court for the Southern District of Florida, concerning the spraying of narcotic plant crops along the Colombian border adjacent to Ecuador. Three of the lawsuits, filed on behalf of the Provinces of Esmeraldas, Sucumbíos, and Carchi in Ecuador, allege violations of Ecuadorian law, international law, and statutory and common law tort violations, including negligence, trespass, and nuisance. The fourth lawsuit, filed on behalf of citizens of the Ecuadorian provinces of Esmeraldas and Sucumbíos, alleges personal injury, various counts of negligence, trespass, battery, assault, intentional infliction of emotional distress, violations of the Alien Tort Claims Act and various violations of international law. The four lawsuits were consolidated, and based on our motion granted by the court, the case was subsequently transferred to the U.S. District Court for the District of Columbia. On March 26, 2008, a First Amended Consolidated Complaint was filed that identified 3,266 individual plaintiffs. As of January 12, 2010, 1,256 of the plaintiffs have been dismissed by court orders and, on September 15, 2010, the Provinces of Esmeraldas, Sucumbíos, and Carchi were dismissed by court order. The amended complaint does not demand any specific monetary damages; however, a court decision against us, although we believe to be remote, could have a material adverse effect on our results of operations and financial condition, if we are unable to seek reimbursement from the DoS. The aerial spraying operations were and continue to be managed by us under a DoS contract in cooperation with the Colombian government. The DoS contract provides indemnification to us against third-party liabilities arising out of the contract, subject to available funding.

A lawsuit filed on September 11, 2001, and amended on March 24, 2008, seeking unspecified damages on behalf of twenty-six residents of the Sucumbíos Province in Ecuador, was brought against our operating company and several of its former affiliates in the U.S. District Court for the District of Columbia. The action alleges violations of the laws of nations and U.S. treaties, negligence, emotional distress, nuisance, battery, trespass, strict liability, and medical monitoring arising from the spraying of herbicides near the Ecuador-Colombia border in connection with the performance of the DoS, International Narcotics and Law Enforcement contract for the eradication of narcotic plant crops in Colombia. As of January 12, 2010, fifteen of the plaintiffs have been dismissed by court order. The terms of the DoS contract provide that the DoS will indemnify our operating company against third-party liabilities arising out of the contract, subject to available funding. We are also entitled to indemnification by Computer Sciences Corporation in connection with this lawsuit, subject to certain limitations. Additionally, any damage award would have to be apportioned between the other defendants and our operating company. We believe that the likelihood of an unfavorable judgment in this matter is remote and that, even if that were to occur, the judgment is unlikely to result in a material adverse effect on our results of operations or financial condition as a result of the third party indemnification and apportionment of damages described above.

Arising out of the litigation described in the preceding two paragraphs, on September 22, 2008, we filed a separate lawsuit against our aviation insurance carriers seeking defense and coverage of the referenced claims. On November 9, 2009, the court granted our Partial Motion for Summary Judgment regarding the duty to defend, and the carriers have paid the majority of the litigation expenses. In a related action, the carriers filed a lawsuit against us on February 5, 2009, seeking rescission of certain aviation insurance policies based on an alleged misrepresentation by us concerning the existence of certain of the lawsuits relating to the eradication of narcotic plant crops. On May 19, 2010, our aviation insurance carriers filed a complaint against us seeking reformation of previously provided insurance policies and the elimination of coverage for aerial spraying. The Company believes that the claims asserted by the insurance carriers are without merit and we will defend against them vigorously.

In November 2009, a U.S. grand jury indicted one of our subcontractors on the Logistics Civil Augmentation Program (“LOGCAP IV”) contract, Agility, on charges of fraud and conspiracy, alleging that it overcharged the U.S. Army on $8.5 billion worth of contracts to provide food to soldiers in Iraq, Kuwait and Jordan. These allegations were in no way related to the work performed under LOGCAP IV. Effective December 16, 2009, we removed Agility as a subcontractor on the LOGCAP IV contract and terminated the work under existing task orders. In April 2010, Agility filed an arbitration demand, asserting claims for breach of a joint venture agreement, breach of fiduciary duty and unjust enrichment. Agility is seeking a declaration that it is entitled to a 30% share of the LOGCAP IV fees over the life of the contract. We believe our right to remove Agility was justified and no joint venture agreement exists between the parties. The case is currently in arbitration. We believe the case is without merit and we intend to vigorously defend against Agility’s claims, however, based on the size of the LOGCAP IV contract and Agility’s claim, a negative outcome may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

U.S. Government Investigations

We primarily sell our services to the U.S. government. These contracts are subject to extensive legal and regulatory requirements, and we are occasionally the subject of investigations by various agencies of the U.S. government who investigate whether our operations are being conducted in accordance with these requirements, including as previously disclosed in our periodic filings, the Special Inspector General for Iraq Reconstruction report regarding certain reimbursements and the U.S. Department of State Office of Inspector General's records subpoena with respect to Civilian Police ("CivPol"). Such investigations, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and many result in no adverse action against us. We do not believe that any adverse actions arising from such matters would have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

On September 17, 2008, the U.S. Department of State Office of Inspector General ("OIG") served us with a records subpoena for the production of documents relating to our Civilian Police Program in Iraq. Among other items, the subpoena sought documents relating to our business dealings with a former subcontractor, Corporate Bank. We have been cooperating with the OIG's investigation. In October 2009, we were notified by the Department of Justice that this investigation is being done in connection with a *qui tam* litigation brought by a private individual on behalf of the U.S. government. In March 2011 we settled the investigation for $7.7 million, which we had previously accrued as of December 31, 2010.

As previously disclosed in our periodic filings, we identified certain payments made on our behalf by two subcontractors to expedite the issuance of a limited number of visas and licenses from a foreign government's agencies that may raise compliance issues under the U.S. Foreign Corrupt Practices Act. We retained outside counsel to investigate these payments. In November 2009, we voluntarily brought this matter to the attention of the U.S. Department of Justice and the SEC. We are cooperating with the government's review of this matter. We are also continuing our evaluation of our internal policies and procedures. We cannot predict the ultimate consequences of this matter at this time, nor can we reasonably estimate the potential liability, if any, related to this matter. However, based on the facts currently known, we do not believe that this matter will have a material adverse effect on our business, financial condition, results of operations or cash flow.

On August 16, 2005, we were served with a Department of Justice Federal Grand Jury Subpoena seeking documents concerning work performed by a former subcontractor, Al Ghabban in 2002-2005. Specifically, during the 2002-2005 timeframe, Al Ghabban performed line haul trucking work to transport materials throughout the Middle Eastern theater on the War Reserve Materials Program. In response to the subpoena in 2005, we provided the requested documents to the Department of Justice, and the matter was subsequently closed in 2005 without any action taken. In April 2009, we received a follow up telephone call concerning this matter from the Department of Justice Civil Litigation Division. Since that time, we have had several discussions with the government regarding the civil matter. In response to recent requests, we have provided additional information to the Department of Justice Civil Litigation Division. We are fully cooperating with the government's review. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

U.S. Government Audits

Our contracts are regularly audited by the Defense Contract Audit Agency ("DCAA") and other government agencies. These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The government also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts.

The Defense Contract Management Agency ("DCMA") formally notified us of non-compliance with Cost Accounting Standard 403, Allocation of Home Office Expenses to Segments, on April 11, 2007. We issued a response to the DCMA on April 26, 2007 with a proposed solution to resolve the area of non-compliance, which related to the allocation of corporate general and administrative costs between our divisions. On August 13, 2007, the DCMA notified us that additional information would be necessary to justify the proposed solution. We issued responses on September 17, 2007, April 28, 2008 and September 10, 2009 and the matter is pending resolution. Based on facts currently known, we do not believe the matters described in this and the preceding paragraph will have a material adverse effect on our results of operations or financial condition.

We were under audit by the Internal Revenue Service ("IRS") for employment taxes covering the years 2005 through 2007. In the course of the audit process, the IRS had questioned our treatment of exempting from U.S. employment taxes all U.S. residents working abroad for some of our foreign subsidiaries. We settled this matter with the IRS in December 2010 and paid $12.0 million. We do not have any reserves for periods subsequent to 2007 related to this employment tax issue.

We have received several letters from the Defense Contract Audit Agency ("DCAA") with draft audit results related to their examination of certain incurred, invoiced and collected costs on our Civilian Police program for periods ranging from , September 1, 2005 through April 2, 2010. The draft audit results assert certain instances of potential deviations from the explicit terms of the contract or from certain provisions of Government Regulations. Although the amounts quantified in the draft audit results would be material to our results of operations, cash flows and financial condition, we do not believe the draft audit results are an appropriate basis to determine a range of potential loss as we believe the audits and related draft audit results do not consider all relevant facts, certain contractual provisions and long-standing pattern of dealing with the customer. Accordingly, we are unable to estimate a possible loss, if any, based on the information currently available. We have provided or are in process of providing responses to the DCAA on their letters and anticipate receiving several more letters from the DCAA on similar matters until their audits are complete.

Contract Matters

In 2009, we terminated for cause a contract to build the Akwa Ibom International Airport for the State of Akwa Ibom in Nigeria. Consequently, we terminated certain subcontracts and purchase orders the customer advised us it did not want to assume. Based on our experience with this particular Nigerian state government customer, we believe the customer may challenge our termination of the contract for cause and initiate legal action against us. Our termination of certain subcontracts not assumed by the customer, including our actions to recover against advance payment and performance guarantees established by the subcontractors for our benefit is being challenged in certain instances. Although we believe our right to terminate this contract and such subcontracts was justified and permissible under the terms of the contracts, and we intend to vigorously contest any claims brought against us arising out of such terminations, if courts were to conclude that we were not entitled to terminate one or more of the contracts and damages were assessed against us, such damages could have a material adverse effect on our results of operations or financial condition. At this time, any such damages are not estimable.

Credit Risk

We are subject to concentrations of credit risk primarily by virtue of our accounts receivable. Departments and agencies of the U.S. federal government account for all but minor portions of our customer base, minimizing this credit risk. Furthermore, we continuously review all accounts receivable and recorded provisions for doubtful accounts.

Risk Management Liabilities and Reserves

We are insured for domestic worker's compensation liabilities and a significant portion of our employee medical costs. However, we bear risk for a portion of claims pursuant to the terms of the applicable insurance contracts. We account for these programs based on actuarial estimates of the amount of loss inherent in that period's claims, including losses for which claims have not been reported. These loss estimates rely on actuarial observations of ultimate loss experience for similar historical events. We limit our risk by purchasing stop-loss insurance policies for significant claims incurred for both domestic worker's compensation liabilities and medical costs. Our exposure under the stop-loss policies for domestic worker's compensation and medical costs is limited based on fixed dollar amounts. For domestic worker's compensation and employer's liability under state and federal law, the fixed dollar amount of stop-loss coverage is $1.0 million per occurrence on most policies; but, $0.25 million on a California based policy. For medical costs, the fixed dollar amount of stop-loss coverage is from $0.25 million to $0.75 million for total costs per covered participant per calendar year.

Note 9 — Segment and Geographic Information

We have three reportable segments, Global Stabilization and Development Solutions ("GSDS"), Global Platform Support Solutions ("GPSS"), and Global Linguist Solutions ("GLS"). Two of our segments, GSDS and GPSS, are wholly-owned. Our third segment, GLS, is a 51% owned joint venture. While we do not have control over the performance of GLS, our senior management, including our chief executive officer, who is our chief operating decision maker, regularly reviews GLS' operating results and metrics to make decisions about resources to be allocated to the segment and assess performance, thus GLS is classified as an operating segment.

Our GPSS operating segment provides services domestically and in foreign countries under contracts with the U.S. government and some foreign customers, whereas our GSDS and GLS operating segments primarily provide services in foreign countries with the U.S. government as the primary customer. All three segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations, Cost Accounting Standards and audits by various U.S. federal agencies. In order to realign measurement of true business performance with segment presentation, we excluded certain costs that are not directly allocable to business units from the segment results and included these costs in headquarters.

The following is a summary of the financial information of the reportable segments reconciled to the amounts reported in the consolidated financial statements:

(Amounts in thousands)	**Three Months Ended April 1, 2011**
Revenue	
Global Stabilization and Development Solutions	$ 575,527
Global Platform Support Solutions	306,182
Global Linguist Solutions	126,406
Subtotal	$ 1,008,115
Headquarters [(1)]	2,615
Elimination	—
GLS deconsolidation	(126,406)
Total reportable segments	$ 884,324
Operating income	
Global Stabilization and Development Solutions	$ 17,711
Global Platform Support Solutions	21,005
Global Linguist Solutions	9,164
Subtotal	47,880
Headquarters [(2)]	(6,515)
GLS deconsolidation	(9,164)
Total reportable segments	$ 32,201
Depreciation and amortization	
Global Stabilization and Development Solutions	$ 67
Global Platform Support Solutions	25
Global Linguist Solutions	—
Subtotal	92
Headquarters	13,039
GLS deconsolidation	—
Total reportable segments [(3)]	$ 13,131

(1) Represents revenue earned on shared services arrangements for general and administrative services provided to unconsolidated joint ventures.
(2) Headquarters operating expense primarily relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.
(3) Excludes amounts included in Cost of services of $0.4 million for the three months ended April 1, 2011.

(Amounts in thousands)	As Of	
	April 1, 2011	**December 31, 2010**
Assets		
Global Stabilization and Development Solutions	$ 879,679	$ 881,093
Global Platform Support Solutions	806,349	788,586
Global Linguist Solutions	124,770	123,940
Subtotal	1,810,798	1,793,619
Headquarters (1)	542,800	593,676
GLS deconsolidation	(124,770)	(123,940)
Total reportable segments	$ 2,228,828	$ 2,263,355

(1) Assets primarily include cash, investments in unconsolidated subsidiaries, deferred income taxes, intangible assets (excluding goodwill) and deferred debt issuance cost.

Note 10 — Related Parties, Joint Ventures and Variable Interest Entities

Consulting Fee

The Company has a Master Consulting and Advisory Services ("COAC Agreement") with Cerberus Operations and Advisory Company, LLC, where pursuant to the terms, they make personnel available to us for the purpose of providing reasonably requested business advisory services. The services are priced on a case by case basis depending on the requirements of the project and agreements in pricing. We incurred $0.5 million in expenses for Cerberus consulting fees for the three months ended April 1, 2011.

Variable Interest Entities

We own an interest in six active VIEs, all of which are joint ventures. These are listed as follows: (i) 40% owned Partnership for Temporary Housing LLC ("PaTH"); (ii) 45% owned Contingency Response Services LLC ("CRS"); (iii) 44% owned Babcock DynCorp Limited ("Babcock"); (iv) 51% owned GLS; (v) 50% owned DynCorp International FZ-LLC ("DIFZ") and (vi) 40% owned Mission Readiness. We do not encounter any significant risk through our involvement in our VIEs outside the normal course of our business.

GLS is a joint venture formed in August 2006 with one partner, McNeil Technologies, for the purpose of procuring government contracts with the U.S. Army. We incur significant costs on behalf of GLS related to the normal operations of the venture. However, these costs typically support revenue billable to our customer. As noted in our Annual Report, GLS is not a guarantor under our Senior Secured Credit Facility in accordance with the agreement. GLS' revenue was $126.4 million for the three months ended April 1, 2011. Additionally, GLS' operating income and net income was $9.2 million for the three months ended April 1, 2011.

We own 50% of DIFZ but exercise power over activities that significantly impact DIFZ's economic performance. As DIFZ's primary customer, we also exert power over DIFZ's significant activities. In addition, we absorb 50% of expected losses or gains from the venture. Thus, we have concluded that we were the primary beneficiary.

DIFZ provides foreign staffing, human resources and payroll services. We incur significant costs on behalf of DIFZ related to the normal operations. The vast majority of these costs are considered direct contract costs and thus billable on the various corresponding contracts supported by DIFZ services. DIFZ's assets and liabilities as of April 1, 2011 totaled $47.1 million and $45.4 million, respectively. Additionally, DIFZ's revenue was $116.3 million for the three months ended April 1, 2011. These intercompany revenue and costs are eliminated in consolidation.

PaTH is a joint venture formed in May 2006 with two other partners for the purpose of procuring government contracts with the Federal Emergency Management Authority. CRS is a joint venture formed in March 2006 with two other partners for the purpose of procuring government contracts with the U.S. Navy. Babcock is a joint venture formed in January 2005 and currently provides services to the British Ministry of Defense. Mission Readiness is a joint venture formed in

September 2010 with two other partners for the purpose of procuring government contracts with the U.S. Department of the Army Tank and Automotive Command.

As of April 1, 2011, we accounted for GLS, PaTH, CRS, Mission Readiness and Babcock as equity method investments based on our share of (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE. Alternatively, we consolidated DIFZ based on the abovementioned criteria. We present our share of the GLS, PaTH, CRS and Mission Readiness earnings in "Earnings from unconsolidated affiliates" as these joint ventures are considered operationally integral. Alternatively, we present our share of the Babcock earnings in "Other income, net" as its not considered operationally integral. Current assets and total assets for our equity method investees as of April 1, 2011 and December 31, 2010, totaled $187.0 million and $187.1 million and $163.7 million and 175.5 million, respectively. Current liabilities and total liabilities for our equity method investees as of April 1, 2011 and December 31, 2010, totaled $121.7 million and $122.4 million and $105.1 million and $105.6 million, respectively. Revenue and net income for the equity method investees for the three months ended April 1, 2011 was $191.9 million and $11.8 million, respectively.

In the aggregate, our maximum exposure to losses as a result of our investment consists of our (i) $105.2 million investment in unconsolidated subsidiaries, (ii) $9.2 million in receivables from our unconsolidated joint ventures, (iii) $6.5 million note receivable from Palm Trading Investment Corp, and (iv) contingent liabilities that were neither probable nor reasonably estimable as of April 1, 2011.

Joint Ventures

Receivables due from our unconsolidated joint ventures, including GLS, totaled $9.2 million and $5.0 million as of April 1, 2011 and December 31, 2010, respectively. These receivables are a result of items purchased and services rendered by us on behalf of our unconsolidated joint ventures, including GLS. We have assessed these receivables as having minimal collection risk based on our historic experience with these joint ventures and our inherent influence through our ownership interest. The related revenue we earned from our unconsolidated joint ventures, including GLS, totaled $3.8 million for the three months ended April 1, 2011. Additionally, we earned $6.8 million in equity method income (includes operationally integral and non-integral income) for the three months ended April 1, 2011.

We currently hold a promissory note from Palm Trading Investment Corp, which had an aggregate initial value of $9.2 million. The note is included in (i) Prepaid expenses and other current assets and in (ii) Other assets on our audited consolidated balance sheet for the short and long-term portions, respectively. The loan balance outstanding was $6.5 million and $6.8 million, as of April 1, 2011 and December 31, 2010, respectively, reflecting the initial value plus accrued interest, less payments against the promissory notes. The fair value of the notes receivable is not materially different from its carrying value.

Note 11 — Collaborative Arrangements

During 2008, we executed a subcontract with CH2M Hill with respect to operations on the LOGCAP IV program, which is considered a collaborative arrangement under GAAP. The purpose of this arrangement is to share some of the risks and rewards associated with this U.S. government contract. Our current share of profits is 70%.

We account for this collaborative arrangement under ASC 808 — *Collaborative Arrangements* and record revenue gross as the prime contractor. Expenses incurred are recorded in Cost of Services in the period realized. Revenue on LOGCAP IV was $379.3 million for the three months ended April 1, 2011. Cost of services on LOGCAP IV was $355.0 million for the three months ended April 1, 2011. Our share of the total LOGCAP IV profits was $11.8 million for the three months ended April 1, 2011.

Note 12 – Consolidating Financial Statements of Subsidiary Guarantors

The Senior Unsecured Notes issued by DynCorp International Inc. ("Subsidiary Issuer") and the Credit Facility are fully and unconditionally guaranteed, jointly and severally, by the Company ("Parent") and all of the domestic subsidiaries of Subsidiary Issuer: DynCorp International LLC, DTS Aviation Services LLC, DynCorp Aerospace Operations LLC, DynCorp International Services LLC, Dyn Marine Services of Virginia LLC, Services International LLC, Worldwide Humanitarian Services LLC, Worldwide Recruiting and Staffing Services LLC, Phoenix Consulting Group, LLC, DIV Capital Corporation and Casals & Associates, Inc. (collectively, "Subsidiary Guarantors"). The Subsidiary Issuer and each of the Subsidiary Guarantors are 100% owned by the Company.

The following condensed consolidating financial statements present (i) unaudited condensed consolidating balance sheets as of April 1, 2011 and December 31, 2010 (ii) the unaudited condensed consolidating statement of operations and statement of cash flows for the three months ended April 1, 2011 and (iii) elimination entries necessary to consolidate Parent and its subsidiaries.

The Parent company, the Subsidiary Issuer, the combined 100% owned Subsidiary Guarantors and the combined subsidiary non-guarantors account for their investments in subsidiaries using the equity method of accounting; therefore, the Parent column reflects the equity income of its subsidiary guarantors and subsidiary non-guarantors. Additionally, the Subsidiary Guarantors column reflects the equity income of their subsidiary non-guarantors.

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Three Months ended April 1, 2011

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 889,767	$125,820	$ (131,263)	$ 884,324
Cost of services	—	—	(814,164)	(120,400)	128,373	(806,191)
Selling, general and administrative expenses	—	—	(37,287)	(3,130)	2,890	(37,527)
Depreciation and amortization expense	—	—	(12,970)	(161)	—	(13,131)
Earnings from unconsolidated affiliates	—	—	4,726	—	—	4,726
Operating income	—	—	30,072	2,129	—	32,201
Interest expense	—	(23,453)	(53)	—	—	(23,506)
Loss on early extinguishment of debt	—	(2,397)	—	—	—	(2,397)
Equity in income of consolidated subsidiaries, net of taxes	4,908	20,736	1,084	—	(26,728)	—
Other income, net	—	—	2,926	(3)	—	2,923
Income/(loss) before income taxes	4,908	(5,114)	34,029	2,126	(26,728)	9,221
Provision for income taxes	—	10,022	(13,293)	(304)	—	(3,575)
Net income/(loss)	4,908	4,908	20,736	1,822	(26,728)	5,646
Noncontrolling interest	—	—	—	(738)	—	(738)
Net income/(loss) attributable to Delta Tucker Holdings, Inc.	$ 4,908	$ 4,908	$ 20,736	$ 1,084	$ (26,728)	$ 4,908

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Balance Sheet Information
April 1, 2011

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 17,559	$ 4,181	$ —	$ 21,740
Restricted cash	—	—	24,024	—	—	24,024
Accounts receivable, net	—	—	840,274	4,535	(1,820)	842,989
Intercompany receivables	—	—	106,675	44,939	(151,614)	—
Prepaid expenses and other current assets	—	—	90,553	681	1,127	92,361
Total current assets	—	—	1,079,085	54,336	(152,307)	981,114
Property and equipment, net	—	—	24,987	940	—	25,927
Goodwill	—	—	646,972	32,399	—	679,371
Tradenames, net	—	—	43,794	—	—	43,794
Other intangibles, net	—	—	341,943	2,276	—	344,219
Investment in subsidiaries	558,981	1,561,443	35,358	—	(2,155,782)	—
Other assets, net	8,011	40,638	105,998	—	(244)	154,403
Total assets	$ 566,992	$ 1,602,081	$ 2,278,137	$ 89,951	$(2,308,333)	$ 2,228,828
			LIABILITIES & EQUITY			
Current liabilities:						
Current portion of long-term debt	$ —	$ 5,212	$ —	$ —	$ —	$ 5,212
Accounts payable	—	—	295,688	1,262	(1,622)	295,328
Accrued payroll and employee costs	—	—	93,833	36,746	—	130,579
Intercompany payables	48,739	57,525	40,577	4,773	(151,614)	—
Other accrued liabilities	—	12,000	218,834	11,069	685	242,588
Income taxes payable	—	—	2,408	743	—	3,151
Total current liabilities	48,739	74,737	651,340	54,593	(152,551)	676,858
Long-term debt, less current portion	—	968,363	637	—	—	969,000
Other long-term liabilities	—	—	60,457	—	—	60,457
Noncontrolling interests	—	—	4,260	—	—	4,260
Equity	518,253	558,981	1,561,443	35,358	(2,155,782)	518,253
Total liabilities and equity	$ 566,992	$ 1,602,081	$ 2,278,137	$ 89,951	$ (2,308,333)	$ 2,228,828

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Balance Sheet Information
December 31, 2010

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 46,106	$ 6,431	$ —	$ 52,537
Restricted cash	—	—	9,342	—	—	9,342
Accounts receivable, net	—	—	780,524	5,211	(3,640)	782,095
Intercompany receivables	—	—	74,169	33,268	(107,437)	—
Prepaid expenses and other current assets	6,167	—	143,337	616	493	150,613
Total current assets	6,167	—	1,053,478	45,526	(110,584)	994,587
Property and equipment, net	—	—	25,553	944	—	26,497
Goodwill	—	—	646,972	32,399	—	679,371
Tradenames, net	—	—	43,839	—	—	43,839
Other intangibles, net	—	—	352,744	2,385	—	355,129
Investment in subsidiaries	558,060	1,566,557	35,516	—	(2,160,133)	—
Other assets, net	8,432	45,246	110,254	—	—	163,932
Total assets	$ 572,659	$ 1,611,803	$ 2,268,356	$ 81,254	$(2,270,717)	$ 2,263,355
			LIABILITIES & EQUITY			
Current liabilities:						
Current portion of long-term debt	$ —	$5,700	$ —	$ —	$ —	$ 5,700
Accounts payable	—	—	299,583	1,385	(3,147)	297,821
Accrued payroll and employee costs	—	—	69,417	29,878	—	99,295
Intercompany payables	59,684	7,227	33,393	7,133	(107,437)	—
Other accrued liabilities	—	22,941	208,427	7,217	—	238,585
Income taxes payable	—	—	3,346	125	—	3,471
Total current liabilities	59,684	35,868	614,166	45,738	(110,584)	644,872
Long-term debt, less current portion	—	1,017,875	637	—	—	1,018,512
Other long-term liabilities	—	—	82,645	—	—	82,645
Noncontrolling interests	—	—	4,351	—	—	4,351
Equity	512,975	558,060	1,566,557	35,516	(2,160,133)	512,975
Total liabilities and equity	$ 572,659	$ 1,611,803	$ 2,268,356	$ 81,254	$ (2,270,717)	$ 2,263,355

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Cash Flow Information
For the Three Months ended April 1, 2011

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ 10,945	$ (298)	$ 2,989	$ 13,026	$(830)	$ 25,832
Cash flows from investing activities:						
Investments in equity method investees	—	—	—	—	—	—
Purchase of property and equipment	—	—	(1,778)	—	—	(1,778)
Return of capital from equity method investees	—	—	1,497	—	—	1,497
Net transfers from/(to) Parent	—	—	—	(14,031)	14,031	—
Net cash (used in) provided by investing activities	—	—	(281)	(14,031)	14,031	(281)
Cash flows from financing activities:						
Borrowings on long-term debt	—	55,600	—	—	—	55,600
Payments on long-term debt	—	(105,600)	—	—	—	(105,600)
Net transfers from/(to) Parent/subsidiary	(10,945)	50,298	(25,322)	—	(14,031)	—
Payments of dividends to Parent	—	—	—	(1,245)	830	(415)
Other financing activities	—	—	(5,933)	—	—	(5,933)
Net cash provided by (used in) financing activities	(10,945)	298	(31,255)	(1,245)	(13,201)	(56,348)
Net (decrease) increase in cash and cash equivalents	—	—	(28,547)	(2,250)	—	(30,797)
Cash and cash equivalents, beginning of period	—	—	46,106	6,431	—	52,537
Cash and cash equivalents, end of period	$ —	$ —	$ 17,559	$ 4,181	$ —	$ 21,740

Note 13—Fair Value of Financial Assets and Liabilities

ASC 820 – *Fair Value Measurements and Disclosures* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of April 1, 2011, we held certain assets that are required to be measured at fair value on a recurring basis. These included the following:

- Cash equivalents including restricted cash which consists of petty cash, cash in-bank and short-term, highly liquid, income-producing investments with original maturities of 90 days or less. This is categorized as a Level 1 input.

Our assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 as of April 1, 2011 were as follows:

	Fair Value Measurements at Reporting Date Using			
	Book value of financial assets/(liabilities) as of April 1, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
(Amounts in thousands)				
Assets				
Cash equivalents[(1)]	$45,764	$45,764	$ —	$ —
Total assets measured at fair value	$45,764	$45,764	$ —	$ —

(1) Includes cash equivalents and restricted cash.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable, and borrowings. The fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and current portion of long-term debt approximated carrying values because of the short-term nature of these instruments. Our estimate of fair values for our long-term debt is based on third-party quoted market price.

	April 1, 2011		**December 31, 2010**	
(Amounts in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
10.375% senior unsecured notes	$ 455,000	$ 491,855	$ 455,000	$ 464,555
Senior secured credit facility	513,363	518,497	562,875	567,378
9.5% senior subordinated notes	637	637	637	637
Total long-term debt	$ 969,000	$1,010,989	$1,018,512	$1,032,570

Note 14 — Subsequent Events

We evaluated subsequent events that occurred after the period end date through May 13, 2011, the date the financial statements were available to be reported. We concluded that no subsequent events have occurred that require recognition or disclosure in our financial statements for the three months ended April 1, 2011.

DYNCORP INTERNATIONAL INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Amounts in thousands)	**Three Months Ended April 2, 2010**
Revenue	$1,053,791
Cost of services	(973,819)
Selling, general and administrative expenses	(19,309)
Depreciation and amortization expense	(10,726)
Operating income	49,937
Interest expense	(13,694)
Interest income	33
Other income, net	1,787
Income before income taxes	38,063
Provision for income taxes	(12,667)
Net income	25,396
Noncontrolling interests	(5,928)
Net income attributable to DynCorp International, Inc.	$ 19,468

See notes to unaudited condensed consolidated financial statements.

DYNCORP INTERNATIONAL INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands)	**Three Months Ended April 2, 2010**
Cash flows from operating activities	
Net income	$25,396
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	10,842
Loss on disposition of assets	1,426
Excess tax benefits from equity-based compensation	(72)
Amortization of deferred loan costs	963
Allowance for losses on accounts receivable	36
Earnings from equity method investees	(1,342)
Distributions from affiliates	1,263
Deferred income taxes	4,371
Equity-based compensation	327
Changes in assets and liabilities:	
Restricted cash	9,225
Accounts receivable	(72,141)
Prepaid expenses and other current assets	13,377
Accounts payable and accrued liabilities	74,207
Income taxes payable	7,015
Net cash provided by operating activities	74,893
Cash flows from investing activities	
Cash paid for acquisitions, net of cash acquired	(4,984)
Purchase of property and equipment, net	(1,505)
Purchase of computer software	(5,096)
Net cash used in investing activities	(11,585)
Cash flows from financing activities	
Borrowings on long-term debt	142,000
Payments on long-term debt	(142,000)
Payments under other financing arrangements	(2,011)
Excess tax benefits from equity-based compensation	72
Payments of dividends to noncontrolling interests	(6,018)
Net cash used in financing activities	(7,957)
Net increase in cash and cash equivalents	55,351
Cash and cash equivalents, beginning of period	67,082
Cash and cash equivalents, end of period	$122,433
Income taxes paid, net	$277
Interest paid	$21,721

See notes to unaudited condensed consolidated financial statements.

DYNCORP INTERNATIONAL INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Total Equity Attributable to DynCorp International, Inc.	Noncontrolling Interests	Total Equity
					(Amounts in thousands)				
Balance at January 1, 2010	**56,307**	**$ 570**	**$ 367,228**	**$ 200,240**	**$ (8,948)**	**$ (2,090)**	**$ 557,000**	**$ 6,325**	**$ 563,325**
Comprehensive income (loss):									
Net income	—	—	—	25,396	—	—	25,396	—	25,396
Interest rate swap, net of tax	—	—	—	—	—	1,259	1,259	—	1,259
Currency translation adjustment, net of tax	—	—	—	—	—	(290)	(290)	—	(290)
Comprehensive income	—	—	—	25,396	—	969	26,365	—	26,365
Noncontrolling interests	—	—	—	(5,928)	—	—	(5,928)	—	(5,928)
Comprehensive income attributable DynCorp International Inc.	—	—	—	19,468	—	969	20,437	—	20,437
Net income and comprehensive income attributable to noncontrolling interests	—	—	—	—	—	—	—	5,928	5,928
DIFZ financing, net of tax		—	102	—	—	—	102	—	102
Treasury share repurchases	(55)	—	—	—	—	—	—	—	—
Treasury shares issued to settle RSU liability	34	—	2	—	6	—	8	—	8
Equity-based compensation	—	—	84	—	—	—	84	—	84
Tax benefit associated with equity-based compensation	—	—	71	—	—	—	71	—	71
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(6,431)	(6,431)
Balance at April 2, 2010	**56,286**	**$ 570**	**$ 367,487**	**$ 219,708**	**$ (8,942)**	**$ (1,121)**	**$ 577,702**	**$ 5,822**	**$ 583,524**

See notes to unaudited condensed consolidated financial statements.

Note 1 — Significant Accounting Policies and Accounting Developments

Unless the context otherwise indicates, references herein to "we," "our," "us" or "DynCorp International" refer to DynCorp International Inc. and our consolidated subsidiaries. DynCorp International Inc., through its subsidiaries (together, the "Company"), provides defense and technical services and government outsourced solutions primarily to United States ("U.S.") government agencies domestically and internationally. Primary customers include the U.S. Department of Defense ("DoD") and U.S. Department of State ("DoS"), but also include other government agencies, foreign governments and commercial customers.

These consolidated financial statements have been prepared, pursuant to accounting principles generally accepted in the United States of America ("GAAP").

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, we believe that all disclosures are adequate to make the information presented not misleading.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to fairly present the results of operations and cash flows for the three months ended April 2, 2010, have been included. The results of operations for the three months ended April 2, 2010 are not necessarily indicative of the results to be expected for the full fiscal year or for any future periods. We use estimates and assumptions required for preparation of the financial statements. The estimates are primarily based on historical experience and business knowledge and are revised as circumstances change. However, actual results could differ from the estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of both our domestic and foreign subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company has investments in joint ventures that are variable interest entities ("VIEs"). The VIE investments are accounted for in accordance with Financial Accounting Standards Board Codification ("ASC") ASC 810 — *Consolidation*. In cases where the Company has (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE, the Company consolidates the entity. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method.

We have ownership interests in three active joint ventures that are not consolidated into our financial statements as of April 2, 2010, and are accounted for using the equity method. Economic rights in active joint ventures are indicated by the ownership percentages in the table listed below.

Babcock DynCorp Limited	44.0%
Partnership for Temporary Housing LLC	40.0%
Contingency Response Services LLC	45.0%

The following table sets forth our ownership in joint ventures that are consolidated into our financial statements as of April 2, 2010. For the entities listed below, we are the primary beneficiary as defined in ASC 810 — *Consolidation*.

Global Linguist Solutions, LLC	51.0%
DynCorp International FZ-LLC	50.0%

Noncontrolling interests

We record the impact of our consolidated joint venture partners' interests as noncontrolling interests. Noncontrolling interests is presented on the face of the income statement as an increase or reduction in arriving at Net Income attributable to DynCorp International, Inc. Noncontrolling interests on the balance sheet is located in the equity section.

Accounting Policies

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in our Annual Report as of December 31, 2010, available on our website at www.dyn-intl.com.

Accounting Developments

Pronouncements Implemented

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards No. 167-*Amendments to FASB Interpretation 46(R)* ("SFAS No. 167"). SFAS No. 167 was converted to Financial Accounting Standards Update 2009-17 and was incorporated into Financial Accounting Standards Codification 810 — *Consolidation*. This statement amends the guidance for (i) determining whether an entity is a VIE, (ii) determining the primary beneficiary of a VIE, (iii) requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and (iv) changing the disclosure requirements formerly listed in FASB Interpretation 46(R)-8. This statement was effective for us beginning April 3, 2010. The adoption of this statement did not impact our consolidation conclusions for the three months ended April 2, 2010. However, as a result of the Merger on July 7, 2010, we deconsolidated Global Linguist Solutions effective July 7, 2010 in accordance with ASU 2009-17. See Note 1 to Delta Tucker Holdings' Annual Report for the period from April 1, 2010 (Inception) to December 31, 2010 as posted to our website on March 31, 2011 for additional discussion on this matter.

Note 2 — Goodwill and other Intangible Assets

We evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable.

Amortization expense for customer-related intangibles, other intangibles, and finite-lived tradename was $10.1 million during the three months ended April 2, 2010.

Note 3 — Income Taxes

The provision for income taxes consists of the following:

(Amounts in thousands)	**For the Three Months Ended April 2, 2010**
Current portion:	
Federal	$ 7,584
State	199
Foreign	496
	8,279
Deferred portion:	
Federal	4,369
State	17
Foreign	2
	4,388
Provision for income taxes	$ 12,667

A reconciliation of the statutory federal income tax rate to our effective rate is provided below:

	April 2, 2010
Statutory rate	35.0%
State income tax, less effect of federal deduction	0.6%
Noncontrolling interests	(5.5)%
Other	3.2%
Effective tax rate	33.3%

As of April 2, 2010, we have $12.7 million of total unrecognized tax benefits. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $2.2 million for April 2, 2010.

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, we do not expect the change to have a significant impact on our results of operations or our financial position.

We recognize interest accrued related to uncertain tax positions in interest expense and penalties in income tax expense in our unaudited consolidated statement of operations.

We file income tax returns in U.S. federal and state jurisdictions and in various foreign jurisdictions. The statute of limitations is open for U.S. federal income tax returns for our fiscal year 2008 and forward. The statute of limitations for state income tax returns is open for our fiscal year 2006 and forward, with few exceptions, and foreign income tax examinations for the calendar year 2007 and forward.

Note 4 — Commitments and Contingencies

Commitments

We have operating leases for the use of real estate and certain property and equipment, which are non-cancelable, cancelable only by the payment of penalties or cancelable upon one month's notice. All lease payments are based on the lapse of time but include, in some cases, payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms, but most leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in base rents, utilities and property taxes. Rental expense was $18.0 million for the three months ended April 2, 2010.

Contingencies

General Legal Matters

We are involved in various lawsuits and claims that have arisen in the normal course of business. In most cases, we have denied, or believe we have a basis to deny any liability. Related to these matters, we have recorded reserves totaling approximately $11.4 million as of April 2, 2010. While it is not possible to predict with certainty the outcome of litigation and other matters discussed below, we believe that liabilities in excess of those recorded, if any, arising from such matters would not have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

Pending litigation and claims

On May 14, 2008, a jury in the Eastern District of Virginia found against us in a case brought by a former subcontractor, Worldwide Network Services ("WWNS"), on two Department of State ("DoS") contracts, in which WWNS alleged racial discrimination, tortuous interference and certain other claims. WWNS was awarded approximately $20.5 million in compensatory, contractual and punitive damages and attorneys' fees, and we were awarded approximately $0.2 million on a counterclaim. On February 2, 2009, we filed an appeal with respect to this matter. On February 12, 2010, the Court of Appeals vacated $10 million in punitive damages, remanded the case for a new trial on punitive damages, and imposed a $350,000 cap on any possible new punitive damages award. WWNS filed a petition seeking re-hearings, which the Court denied. We have reversed the previously accrued punitive damages of $10 million, creating a reduction in Selling, general and administrative

expenses. As of the date of this report, we believe we have adequate reserves recorded for this matter. On June 7, 2010, we paid WWNS the amount of the previously unpaid awarded nonpunitive damages, approximately $5.8 million. On June 25, 2010, WWNS filed a Petition for a Writ of Certiori to the U.S. Supreme Court, which was denied on October 4, 2010. In 2011, we accrued and paid $0.4 million, the remainder of the legal fees associated with the case. On March 14, 2011, the trial court dismissed with prejudice the remanded punitive damages claim. The case is now closed.

On December 4, 2006, December 29, 2006, March 14, 2007 and April 24, 2007, four lawsuits were served, seeking unspecified monetary damages against DynCorp International LLC and several of its former affiliates in the U.S. District Court for the Southern District of Florida, concerning the spraying of narcotic plant crops along the Colombian border adjacent to Ecuador. Three of the lawsuits, filed on behalf of the Provinces of Esmeraldas, Sucumbíos, and Carchi in Ecuador, allege violations of Ecuadorian law, international law, and statutory and common law tort violations, including negligence, trespass, and nuisance. The fourth lawsuit, filed on behalf of citizens of the Ecuadorian provinces of Esmeraldas and Sucumbíos, alleges personal injury, various counts of negligence, trespass, battery, assault, intentional infliction of emotional distress, violations of the Alien Tort Claims Act and various violations of international law. The four lawsuits were consolidated, and based on our motion granted by the court, the case was subsequently transferred to the U.S. District Court for the District of Columbia. On March 26, 2008, a First Amended Consolidated Complaint was filed that identified 3,266 individual plaintiffs. As of January 12, 2010, 1,256 of the plaintiffs have been dismissed by court orders. The amended complaint does not demand any specific monetary damages; however, a court decision against us, although we believe to be remote, could have a material adverse effect on our results of operations and financial condition, if we are unable to seek reimbursement from the DoS. The aerial spraying operations were and continue to be managed by us under a DoS contract in cooperation with the Colombian government. The DoS contract provides indemnification to us against third-party liabilities arising out of the contract, subject to available funding.

A lawsuit filed on September 11, 2001, and amended on March 24, 2008, seeking unspecified damages on behalf of twenty-six residents of the Sucumbíos Province in Ecuador, was brought against our operating company and several of its former affiliates in the U.S. District Court for the District of Columbia. The action alleges violations of the laws of nations and United States treaties, negligence, emotional distress, nuisance, battery, trespass, strict liability, and medical monitoring arising from the spraying of herbicides near the Ecuador-Colombia border in connection with the performance of the DoS, International Narcotics and Law Enforcement contract for the eradication of narcotic plant crops in Colombia. As of January 12, 2010, fifteen of the plaintiffs have been dismissed by court order. The terms of the DoS contract provide that the DoS will indemnify our operating company against third-party liabilities arising out of the contract, subject to available funding. We are also entitled to indemnification by Computer Sciences Corporation in connection with this lawsuit, subject to certain limitations. Additionally, any damage award would have to be apportioned between the other defendants and our operating company. We believe that the likelihood of an unfavorable judgment in this matter is remote and that, even if that were to occur, the judgment is unlikely to result in a material adverse effect on our results of operations or financial condition as a result of the third party indemnification and apportionment of damages described above.

Arising out of the litigation described in the preceding two paragraphs, on September 22, 2008, we filed a separate lawsuit against our aviation insurance carriers seeking defense and coverage of the referenced claims. On November 9, 2009, the court granted our Partial Motion for Summary Judgment regarding the duty to defend, and the carriers have paid the majority of the litigation expenses. In a related action, the carriers filed a lawsuit against us on February 5, 2009, seeking rescission of certain aviation insurance policies based on an alleged misrepresentation by us concerning the existence of certain of the lawsuits relating to the eradication of narcotic plant crops. On May 19, 2010, our aviation insurance carriers filed a complaint against us seeking reformation of previously provided insurance policies and the elimination of coverage for aerial spraying. The Company believes that the claims asserted by the insurance carriers are without merit and we will defend against them vigorously.

In November 2009, a U.S. grand jury indicted one of our subcontractors on the Logistics Civil Augmentation Program ("LOGCAP IV") contract, Agility, on charges of fraud and conspiracy, alleging that it overcharged the U.S. Army on $8.5 billion worth of contracts to provide food to soldiers in Iraq, Kuwait and Jordan. These allegations were in no way related to the work performed under LOGCAP IV. Effective December 16, 2009, we removed Agility as a subcontractor on the LOGCAP IV contract and terminated the work under existing task orders. In April 2010, Agility filed an arbitration demand, asserting claims for breach of a joint venture agreement, breach of fiduciary duty and unjust enrichment. Agility is seeking a declaration that it is entitled to a 30% share of the LOGCAP IV fees over the life of the contract. We believe our right to remove Agility was justified and no joint venture agreement exists between the parties. The case is currently in arbitration. We believe the case is without merit and we intend to vigorously defend against Agility's claims, however, based on the size of the LOGCAP IV contract and Agility's claim, a negative outcome may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

A lawsuit was filed against us on March 22, 2010, and amended on July 16, 2010, by T.E. Security Consultants, LLC ("T.E."). The lawsuit was filed in the U.S. District Court for the Eastern District of Virginia and seeks unspecified damages related to an alleged teaming agreement and subcontract to support a DoS Worldwide Personal Protection Services Air Ops Task Order. The complaint claims breach of contract, unjust enrichment/quantum meruit, fraud, constructive fraud, and misappropriation of trade secrets. The court dismissed the fraud and constructive fraud claims on August 17, 2010. No amounts were accrued on this matter as of April 2, 2010. The parties agreed to settle this matter on confidential, non-material terms on December 29, 2010. The case is now closed.

Litigation Relating to the Merger

On April 16, 2010, a putative class action complaint was commenced against the Company and its directors, Cerberus, and Cerberus' acquisition entities in the Delaware Court. In this action, captioned Shawn K. Naito v. DynCorp International Inc. et al., C.A. No. 5419–VCS, the plaintiff purported to bring the action on behalf of the public stockholders of the Company, and sought, among other things, equitable relief, to enjoin the consummation of the Merger, and fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, agreeing to the proposed Merger in which the consideration was unfair and inadequate, failing to take steps to maximize stockholder value, and putting their own interests above those of our stockholders. The complaint further alleged that Cerberus, Parent and Merger Sub aided and abetted the directors' alleged breaches of their fiduciary duties. On May 7, 2010, the Company and its directors filed an answer that denied the material substantive allegations of the complaint. On May 10, 2010, we, Cerberus and its acquisition entities filed an answer that denied the material substantive allegations of the complaint. On May 14, 2010, plaintiff filed a motion to amend its complaint to assert certain alleged failures of disclosure in the Company's preliminary proxy statement previously filed with the SEC. Such motion was granted by the Court on May 18, 2010. The proposed amended complaint continued to challenge the Company's Board's discharge of its fiduciary duties in connection with the negotiation of the Merger, and on June 2, 2010, the Company and its directors, as well as we, Cerberus and its acquisition entities, filed respective answers denying the material substantive allegations of the amended complaint. On May 17, 2010, plaintiff filed a motion for a preliminary injunction of the Merger. Along with counsel to plaintiff in the *Meehan* action described below, counsel for the parties in the *Naito* action entered into a memorandum of understanding on June 17, 2010, by which plaintiff agreed to dismiss the class action with prejudice and to release all claims and allegations against us, the Company and its directors Cerberus and the Cerberus acquisition entities arising out of or related to the amended complaint, the Merger or the Merger Agreement, allegations made in the *Meehan* action described below, any claim that we, the Company and its directors Cerberus or the Cerberus acquisition entities failed to take adequate steps to protect the interests of the Company's stockholders regarding the Merger. Although we continued to deny the allegations, in exchange for the dismissal of the action and release of claims and allegations, the Company caused Definitive Additional Proxy Materials in Schedule 14A to be filed on July 17, 2010 with the SEC and to be mailed to our stockholders on July 18, 2010. On July 30, 2010, the parties entered into and filed with the Court a stipulation memorializing these terms. On October 13, 2010, the Court approved the stipulation and the settlement terms, including the awarding of $525,000 in attorney fees and expenses to plaintiff's counsel, and entered a judgment dismissing the action with prejudice that day.

On April 30, 2010, the Company and its directors and Cerberus' acquisition entities were named as defendants in a putative class action complaint, captioned Kevin V. Meehan v. Robert McKeon et al., C.A. No. 1:10CV 446, filed in the U.S. District Court in the Eastern District of Virginia. In the complaint, the plaintiff purported to represent a class of stockholders and sought, among other things, equitable relief, including to enjoin us, the Company and Cerberus' acquisition entities from consummating the Merger, in addition to fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, failing to engage in an honest and fair sale process. The complaint further alleged that the Company and Cerberus' acquisition entities aided and abetted the directors' purported breaches. On May 17, 2010 plaintiff filed an amended complaint asserting claims under Section 14a of the Exchange Act, challenging disclosures and alleged omissions in the Company's proxy statement. On May 19, 2010 plaintiff filed a motion to expedite the case. On May 21, 2010 defendants filed a motion to dismiss the amended complaint and, on May 24, 2010, filed a motion for abstention, asking the court to abstain from proceeding with the case in favor of the substantively similar and earlier-filed action in Delaware described above. On May 27, 2010, the court denied plaintiff's motion to expedite discovery. Following denial of the plaintiff's motion to expedite discovery in this action, plaintiff's counsel agreed to coordinate his discovery efforts with the plaintiffs in the Delaware *Naito* action. Upon entering into the memorandum of understanding described above, the parties jointly requested the Court to stay the *Meehan* action while they endeavored to finalize the global settlement. The Court granted that stay, and later entered an order dismissing the *Meehan* action with prejudice on October 18, 2010.

U.S. Government Investigations

We primarily sell our services to the U.S. government. These contracts are subject to extensive legal and regulatory requirements, and we are occasionally the subject of investigations by various agencies of the U.S. government who investigate whether our operations are being conducted in accordance with these requirements, including as previously disclosed in our periodic filings, the Special Inspector General for Iraq Reconstruction report regarding certain reimbursements and the U.S. Department of State Office of Inspector General's records subpoena with respect to CIVPOL. Such investigations, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and many result in no adverse action against us. We do not believe that any adverse actions arising from such matters would have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

On September 17, 2008, the U.S. Department of State Office of Inspector General ("OIG") served us with a records subpoena for the production of documents relating to our Civilian Police Program in Iraq. Among other items, the subpoena sought documents relating to our business dealings with a former subcontractor, Corporate Bank. We have been cooperating with the OIG's investigation. In October 2009, we were notified by the Department of Justice that this investigation is being done in connection with a qui tam litigation brought by a private individual on behalf of the U.S. government and our conversations with the Department of Justice regarding this matter are ongoing. The complaint remains under seal. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

As previously disclosed in our periodic filings, we identified certain payments made on our behalf by two subcontractors to expedite the issuance of a limited number of visas and licenses from a foreign government's agencies that may raise compliance issues under the U.S. Foreign Corrupt Practices Act. We retained outside counsel to investigate these payments. In November 2009, we voluntarily brought this matter to the attention of the U.S. Department of Justice and the SEC. We are cooperating with the government's review of this matter. We are also continuing our evaluation of our internal policies and procedures. We cannot predict the ultimate consequences of this matter at this time, nor can we reasonably estimate the potential liability, if any, related to this matter. However, based on the facts currently known, we do not believe that this matter will have a material adverse effect on our business, financial condition, results of operations or cash flow.

On August 16, 2005, we were served with a Department of Justice Federal Grand Jury Subpoena seeking documents concerning work performed by a former subcontractor, Al Ghabban in 2002-2005. Specifically, during the 2002-2005 timeframe, Al Ghabban performed line haul trucking work to transport materials throughout the Middle Eastern theater on the War Reserve Materials Program. In response to the subpoena in 2005, we provided the requested documents to the Department of Justice, and the matter was subsequently closed in 2005 without any action taken. In April 2009, we received a follow up telephone call concerning this matter from the Department of Justice Civil Litigation Division. Since that time, we have had several discussions with the government regarding the civil matter. In response to recent requests, we have provided additional information to the Department of Justice Civil Litigation Division. We are fully cooperating with the government's review. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

U.S. Government Audits

Our contracts are regularly audited by the DCAA and other government agencies. These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts.

The Defense Contract Management Agency ("DCMA") formally notified us of non-compliance with Cost Accounting Standard 403, Allocation of Home Office Expenses to Segments, on April 11, 2007. We issued a response to the DCMA on April 26, 2007 with a proposed solution to resolve the area of non-compliance, which related to the allocation of corporate general and administrative costs between our divisions. On August 13, 2007, the DCMA notified us that additional information

would be necessary to justify the proposed solution. We issued responses on September 17, 2007, April 28, 2008 and September 10, 2009 and the matter is pending resolution. Based on facts currently known, we do not believe the matters described in this and the preceding paragraph will have a material adverse effect on our results of operations or financial condition.

We were under audit by the Internal Revenue Service (“IRS”) for employment taxes covering the years 2005 through 2007. In the course of the audit process, the IRS had questioned our treatment of exempting from U.S. employment taxes all U.S. residents working abroad for some of our foreign subsidiaries. We do not have any reserves for periods subsequent to 2007 related to this employment tax issue.

Contract Matters

In 2009, we terminated for cause a contract to build the Akwa Ibom International Airport for the State of Akwa Ibom in Nigeria. Consequently, we terminated certain subcontracts and purchase orders the customer advised us it did not want to assume. Based on our experience with this particular Nigerian state government customer, we believe the customer may challenge our termination of the contract for cause and initiate legal action against us. Our termination of certain subcontracts not assumed by the customer, including our actions to recover against advance payment and performance guarantees established by the subcontractors for our benefit is being challenged in certain instances. Although we believe our right to terminate this contract and such subcontracts was justified and permissible under the terms of the contracts, and we intend to vigorously contest any claims brought against us arising out of such terminations, if courts were to conclude that we were not entitled to terminate one or more of the contracts and damages were assessed against us, such damages could have a material adverse effect on our results of operations or financial condition. At this time, any such damages are not estimable.

Credit Risk

We are subject to concentrations of credit risk primarily by virtue of our accounts receivable. Departments and agencies of the U.S. federal government account for all but minor portions of our customer base, minimizing this credit risk. Furthermore, we continuously review all accounts receivable and recorded provisions for doubtful accounts.

Risk Management Liabilities and Reserves

We are insured for domestic worker’s compensation liabilities and a significant portion of our employee medical costs. However, we bear risk for a portion of claims pursuant to the terms of the applicable insurance contracts. We account for these programs based on actuarial estimates of the amount of loss inherent in that period’s claims, including losses for which claims have not been reported. These loss estimates rely on actuarial observations of ultimate loss experience for similar historical events. We limit our risk by purchasing stop-loss insurance policies for significant claims incurred for both domestic worker’s compensation liabilities and medical costs. Our exposure under the stop-loss policies for domestic worker’s compensation and medical costs is limited based on fixed dollar amounts. For domestic worker’s compensation and employer’s liability under state and federal law, the fixed dollar amount of stop-loss coverage is $1.0 million per occurrence on most policies; but, $0.25 million on a California based policy. For medical costs, the fixed dollar amount of stop-loss coverage is from $0.25 million to $0.75 million for total costs per covered participant per calendar year.

Note 5 —Equity

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss included unrealized foreign currency losses and interest rate swaps designated as cash flow hedges as of April 2, 2010. The balance in accumulated other comprehensive loss related to unrealized foreign currency losses, net of tax, was $0.4 million as of April 2, 2010. The balance in accumulated other comprehensive loss related to interest rate swaps, net of tax, was $0.7 million as of April 2, 2010.

Note 6 — Interest Rate Derivatives

As of April 2, 2010, our derivative instruments consisted of two interest rate swap agreements. The $168.6 million derivative is designated as a cash flow hedge that effectively fixes the interest rate on the applicable notional amount of our variable rate debt. The $31.4 million swap derivative no longer qualifies for hedge accounting as it continues to be fully dedesignated as of April 2, 2010.

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Expiration Date
		(Amounts in thousands)		
April 2007	$ 168,620	4.975%	3-month LIBOR	May 2010
April 2007	$ 31,380	4.975%	3-month LIBOR	May 2010

* Plus applicable margin (2.25% as of April 2, 2010).

During the three months ended April 2, 2010, we paid $2.4 million in net settlements and incurred $2.0 million of expenses, which was recorded to interest expense.

Amounts are reclassified from accumulated other comprehensive income into earnings as net cash settlements occur, changes from quarterly derivative valuations are updated, new circumstances dictating the disqualification of hedge accounting and adjustments for cumulative ineffectiveness are recorded.

The fair values of our derivative instruments and the line items on the consolidated balance sheet to which they were recorded as of April 2, 2010 are summarized as follows (amounts in thousands):

Derivatives designated as hedges under ASC 815	Balance Sheet Location	Fair Value at April 2, 2010
Interest rate swaps	Other accrued liabilities	$ 1,385
Interest rate swaps	Other long-term liabilities	—
	Total	$ 1,385

Derivatives not designated as hedges under ASC 815	Balance Sheet Location	Fair Value at April 2, 2010
Interest rate swaps	Other accrued liabilities	$ 249
Interest rate swaps	Other long-term liabilities	—
	Total	$ 249
Total Derivatives		$ 1,634

The effects of our derivative instruments on other comprehensive income ("OCI") and our consolidated statement of operations for the three months ended April 2, 2010 is summarized as follows (amounts in thousands):

Derivatives Designated as Cash Flow Hedging Instruments under ASC 815	Change in OCI from Gains (Losses) Recognized in OCI on Derivatives (Effective Portion) Three Months Ended April 2, 2010	GAINS (LOSSES) RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)		GAINS (LOSSES) RECOGNIZED IN INCOME ON DERIVATIVES (INEFFECTIVE PORTION)	
		Line Item in Statement of Operations	Amount	Line Item in Statement of Operations	Amount
Interest rate derivatives	$ (1,976)	Interest expense	$ (2,013)	Other (loss)/income, net	$ —
Total	$ (1,976)		$ (2,013)		$ —

The expenses incurred on the portion of the derivatives that did not qualify for hedge accounting is as follows for the three months ended April 2, 2010 (amounts in thousands).

Derivatives not Designated as Hedging Instruments under ASC 815	AMOUNT OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE	Three Months Ended April 2, 2010
	Line Item in Statement of Operations	Amount
Interest rate derivatives	Other (loss)/income, net	$ (6)
Total		$ (6)

As of April 2, 2010, we estimate that $1.1 million of losses associated with the interest rate swap related to $168.6 million of notional debt included in accumulated other comprehensive income will be reclassified into earnings over the remaining life of the derivative which expired in May 2010. The other interest rate swap does not qualify for hedge accounting and has been marked to market, which generated a $0.2 million liability as of April 2, 2010.

Note 7 — Equity-Based Compensation

In accordance with ASC 718 — *Compensation-Stock Compensation*, we recognized compensation expense related to RSUs on a graded schedule over the requisite service period, net of estimated forfeitures. Under this method, we recorded equity-based compensation expense of $0.4 million for the three months ended April 2, 2010. As of April 2, 2010, we had provided equity-based compensation through the granting of Class B interests in DIV Holding LLC, and the granting of RSUs under our 2007 Omnibus Incentive Plan (the "2007 Plan").

Class B Equity

During the three months ended April 2, 2010, we had no new grants or forfeiture events. Consequently, the three months ended April 2, 2010 expense recognized for Class B activity was the result of the quarterly amortization from the graded vesting schedule.

A summary of Class B activity during the three months ended April 2, 2010 is as follows:

	% Interest in DIV Holding	Grant Date Fair Value
		(Amounts in thousands)
Balance January 1, 2010	4.6%	$ 9,315
Grants	0%	—
Forfeitures	0%	—
Balance April 2, 2010	4.6%	$ 9,315
January 1, 2010 Vested	4.0%	$ 7,899
Vesting	0.3%	348
April 2, 2010 vested	4.3%	$ 8,247
April 2, 2010 nonvested	0.3%	$ 1,068

In connection with the Merger on July 7, 2010, all Class B interests vested.

2007 Omnibus Equity Incentive Plan

In August 2007, our stockholders approved the adoption of the 2007 Omnibus Equity Incentive Plan. The 2007 Plan provided for the grant of stock options, stock appreciation rights, restricted stock and other share-based awards. Our employees, employees of our subsidiaries and non-employee members of the Board were eligible to be selected to participate in the 2007 Plan at the discretion of the Compensation Committee.

Starting in fiscal year 2008, the Compensation Committee approved the grant of RSUs to certain key employees. The RSUs had assigned value equivalent to our common stock and could be settled in cash or shares of our common stock at the discretion of the Compensation Committee. The first performance based RSUs were granted in fiscal year 2009 with similar terms, except for performance criteria.

During the three months ended April 2, 2010, we granted 1,400 performance based RSUs to a certain key employee. The performance based RSU awards are tied to our financial performance, specifically fiscal year 2011 EBITDA (earnings before interest, taxes, depreciation and amortization), and cliff vest upon achievement of this target. The payouts are scaled based on actual performance results with a potential payout range of 50% to 150%. Based on current estimates, the costs of these awards are being accrued with the expectation of a 100% achievement of the performance goal.

In addition to the employee grant, 14,706 service-based RSUs were granted to Board members during the three months ended April 2, 2010. These awards vest within one year of grant, but include a post-vesting restriction of six months after the applicable directors' Board service ends. The RSUs have assigned value equivalent to our common stock and may be settled in cash or shares of our common stock at the discretion of the Compensation Committee of the Board. As of April 2, 2010, 15,795 units were vested but unsettled.

The estimated fair value of the RSUs granted, net of forfeitures, was approximately $13.1 million as of April 2, 2010 based on the closing market price of our stock on the grant date.

	Outstanding RSUs	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2010	799,625	$ 16.85
Units granted	16,106	$ 11.64
Units forfeited	(26,133)	$ 16.49
Units vested and settled	(7,200)	$ 17.24
Outstanding, April 2, 2010	782,398	$ 16.75

In connection with the Merger, all RSUs held by our directors and employees vested on July 7, 2010 and were settled in cash. These settlements were made net of payroll tax withholding.

Note 8 — Related Parties, Joint Ventures and Variable Interest Entities

Management Fee

We historically paid Veritas an annual management fee of $0.3 million plus expenses to provide us with general business management, financial, strategic and consulting services. We paid $0.1 million to Veritas for the three months ended April 2, 2010. Our obligation to pay this fee was terminated on July 7, 2010 due to the change of control resulting from the Merger.

Variable Interest Entities

We own an interest in five active VIEs, all of which are joint ventures. These are listed as follows: (i) 40% owned Partnership for Temporary Housing LLC ("PaTH"); (ii) 45% owned Contingency Response LLC ("CRS"); (iii) 44% owned Babcock DynCorp Limited ("Babcock") (iv) 51% owned GLS; (v) and 50% owned DynCorp International FZ-LLC ("DIFZ"). We do not encounter any significant risk through our involvement in our VIEs outside the normal course of our business.

GLS is a joint venture formed in August 2006 with one partner, McNeil Technologies, for the purpose of procuring government contracts with the U.S. Army. We incur significant costs on behalf of GLS related to the normal operations of the venture. However, these costs typically support revenue billable to our customer. GLS revenue was $159.8 million for the three months ended April 2, 2010.

In July 2008 Palm Trading Investment Corp. ("Palm") purchased a 50% interest in DIFZ. After the sale, we retained virtually all power over DIFZ to direct activities that significantly impact DIFZ's economic performance and remained as primary customer allowing the Company to exert power over significant activities. Also, we absorb the majority of expected losses or gains from the venture, based on the terms of the sale agreement. Thus, we concluded that we were the primary beneficiary.

DIFZ provides foreign staffing, human resources and payroll services. We incur significant costs on behalf of DIFZ related to the normal operations. The vast majority of these costs are considered direct contract costs and thus billable on the various corresponding contracts supported by DIFZ services. DIFZ revenue was $107.3 million for the three months ended April 2, 2010. These intercompany revenue and costs are eliminated in consolidation.

PaTH is a joint venture formed in May 2006 with two other partners for the purpose of procuring government contracts with the Federal Emergency Management Authority. CRS is a joint venture formed in March 2006 with two other partners for the purpose of procuring government contracts with the U.S. Navy. Babcock is a Joint Venture formed in January 2005 and currently provides services to the British Ministry of Defense. Mission Readiness is a joint venture recently created with only the back office operations functioning.

We accounted for PaTH, CRS, and Babcock as equity method investments based on our share of (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE. Alternatively, we consolidated DIFZ based on the abovementioned criteria. We present our share of the PaTH and CRS earnings in "Earnings from equity method investees." We present our share of the Babcock earnings in "Other income, net." Revenue for the equity method investees for the three months ended April 2, 2010 was $52.6 million. Net income for the equity method investees for the three months ended April 2, 2010 was $2.1 million.

In the aggregate, our maximum exposure to losses as a result of our investment in VIEs consists of our $7.7 million investment in unconsolidated subsidiaries, $5.2 million in receivables from our joint ventures, working capital funding to GLS as well as contingent liabilities that are neither probable nor reasonably estimable as of April 2, 2010. While the amount of funding we provide to GLS could vary significantly due to timing of payments to vendors and collections from its customer, the average balance over the three months ended April 2, 2010 was approximately $15.4 million.

Joint Ventures

Amounts due from our unconsolidated joint ventures totaled $5.2 million as of April 2, 2010. These receivables are a result of items purchased and services rendered by us on behalf of our unconsolidated joint ventures. We have assessed these receivables as having minimal collection risk based on our historic experience with these joint ventures and our inherent influence through our ownership interest. The change in these receivables from January 1, 2010 to April 2, 2010 resulted in operating cash provided for the three months ended April 2, 2010 of approximately $2.7 million. The related revenue we earned from our unconsolidated joint ventures totaled $2.4 million for the three months ended April 2, 2010. Additionally, we earned $1.3 million in equity method income for the three months ended April 2, 2010.

As of April 2, 2010, we held three promissory notes from Palm, which had an aggregate initial value of $9.7 million as a result of the sales price. The notes are included in (i) Prepaid expenses and other current assets and in (ii) Other assets on our audited consolidated balance sheet for the short and long-term portions, respectively. The loan balance outstanding was $8.1 million as of April 2, 2010 reflecting the initial value plus accrued interest, less payments against the promissory notes. The fair value of the notes receivable is not materially different from its carrying value.

Note 9 — Collaborative Arrangements

We executed a subcontract with CH2M Hill with respect to operations on the LOGCAP IV program, which is considered a collaborative arrangement under GAAP. The purpose of this arrangement is to share some of the risks and rewards associated with this U.S. government contract. Our current share of profits is 70%.

We account for this collaborative arrangement under ASC 808 — *Collaborative Arrangements* and record revenue gross as the prime contractor. Expenses incurred are recorded in Cost of services in the period realized. Revenue on LOGCAP IV was $324.1 million for the three months ended April 2, 2010. Cost of services on LOGCAP IV was $307.8 million for the three months ended April 2, 2010. Our share of LOGCAP IV profits was $6.8 million the three months ended April 2, 2010.

Note 10—Fair Value of Financial Assets and Liabilities

ASC 820 – *Fair Value Measurements and Disclosures* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The table below provides reconciliation between the beginning and ending balance of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3) for the three months ended April 2, 2010.

(Amounts in thousands)		
Beginning balance at January 1, 2010	$	2,778
Contingent earn-out consideration and compensation		—
Total gains included in earnings		(1,605)
Transfers in and/or out of Level 3		—
Ending balance at April 2, 2010	$	1,173

Note 11— Acquisition

Casals & Associates, Inc.

On January 22, 2010, we acquired 100% of the outstanding shares of Casals & Associates, Inc ("Casals"), a provider of management consulting services in the areas of democracy and governance, rule of law and justice, conflict management and recovery, anti-corruption and strategic communication to a wide range of U.S. government organizations. This acquisition is consistent with our goal of accelerating growth, expanding service offerings and penetrating new segments. We funded the purchase price with cash on hand.

Casals was incorporated into the GSDS operating segment. Revenue since the acquisition totaled $4.1 million through April 2, 2010. The associated operating income has been immaterial.

The purchase price is comprised of the following elements:

(Amounts in thousands)	Purchase Elements	
Cash paid at closing	$	5,902
Estimated working capital adjustment to be paid in fiscal year 2011		765
Total estimated purchase price	$	6,667

The acquisition was accounted for as a business combination pursuant to ASC 805 – *Business Combinations.* In accordance with ASC 805, the purchase price has been allocated to assets and liabilities based on their estimated fair value at the acquisition date. The following table represents the allocation of the purchase price to the acquired assets and liabilities and resulting goodwill:

(Amounts in thousands)	Reconciliation to Goodwill	
Total estimated purchase price	$	6,667
Cash acquired		(918)
Receivables		(3,550)
Other assets		(868)
Identifiable intangible assets		(653)
Other liabilities assumed		2,780
Goodwill	$	3,458

Management allocated the purchase price for the acquisition based on estimates of the fair values of the tangible assets and liabilities assumed. We utilized recognized valuation techniques, including the income approach and cost approach for intangible assets and the cost approach for tangible assets.

We recognized $0.6 million of acquisition related costs that are included in Selling, general and administrative expenses in our consolidated statement of operations for the three months ended April 2, 2010.

Note 12 — Segment and Geographic Information

We have three reportable segments, Global Stabilization and Development Solutions, Global Platform Support Solutions, and Global Linguist Solutions. Our GPSS operating segment provides services domestically and in foreign countries under contracts with the U.S. government and some foreign customers, whereas our GSDS and GLS operating segments primarily provide services in foreign countries with the U.S. government as the primary customer. All three segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations, Cost Accounting Standards and audits by various U.S. federal agencies.

The following is a summary of the financial information of the reportable segments reconciled to the amounts reported in the consolidated financial statements:

(Amounts in thousands)	Three Months Ended April 2, 2010
Revenue	
Global Stabilization and Development Solutions	554,613
Global Platform Support Solutions	339,654
Global Linguist Solutions	159,808
Subtotal	1,054,075
Headquarters - Elimination[1]	(284)
Total reportable segments	$1,053,791
Operating income	
Global Stabilization and Development Solutions	$26,046
Global Platform Support Solutions	26,504
Global Linguist Solutions	10,706
Subtotal	63,256
Headquarters [2]	(13,319)
Total reportable segments	$49,937
Depreciation and amortization	
Global Stabilization and Development Solutions	$147
Global Platform Support Solutions	(16)
Global Linguist Solutions	—
Subtotal	131
Headquarters	10,595
Total reportable segments [3]	$10,726

(1) Primarily represents eliminations of intercompany revenue earned between segments and revenue recorded to Headquarters for the release of reserves associated with a government cost audit.

(2) Headquarters operating expense primarily relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.

(3) Excludes amounts included in Cost of services of $0.1 million during the three months ended April 2, 2010.

Note 13 — Consolidating Financial Information of Subsidiary Guarantors

The following condensed consolidating financial statements present (i) the unaudited condensed consolidating statement of operations and statement of cash flows for the three months ended April 2, 2010; and (ii) elimination entries necessary to consolidate the Company and its subsidiaries.

The Parent company, the combined 100% owned subsidiary guarantors and the combined subsidiary non-guarantors account for their investments in subsidiaries using the equity method of accounting; therefore, the Parent column reflects the equity income of its subsidiary guarantors, and subsidiary non-guarantors. Additionally, the subsidiary guarantors' column reflects the equity income of its subsidiary non-guarantors.

DynCorp International, Inc. and Subsidiaries
Condensed Consolidating Statement of Operations Information
For the Three Months ended April 2, 2010

(Amounts in thousands)	Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 899,692	$ 277,254	$ (123,155)	$ 1,053,791
Cost of services	—	(834,881)	(259,074)	120,136	(973,819)
Selling, general and administrative expenses	—	(17,432)	(4,896)	3,019	(19,309)
Depreciation and amortization expense	—	(10,710)	(16)	—	(10,726)
Operating income	—	36,669	13,268	—	49,937
Interest expense	—	(13,694)	(479)	479	(13,694)
Equity in income of consolidated subsidiaries, net of taxes	19,468	6,570	—	(26,038)	—
Other income, net	—	2,304	(5)	(479)	1,820
Income/(loss) before income taxes	19,468	31,849	12,784	(26,038)	38,063
Provision for income taxes	—	(12,381)	(286)	—	(12,667)
Net income/(loss)	19,468	19,468	12,498	(26,038)	25,396
Noncontrolling interests	—	—	(5,928)	—	(5,928)
Net income/(loss) attributable to DynCorp International, Inc.	$ 19,468	$ 19,468	$ 6,570	$ (26,038)	$ 19,468

DynCorp International, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the Three Months ended April 2, 2010

(Amounts in thousands)	Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ —	$ 14,669	$ 66,884	$ (6,660)	$ 74,893
Cash flows from investing activities:					
Purchase of property and equipment	—	(6,601)	—	—	(6,601)
Cash paid for acquisition, net of cash acquired	—	(4,984)	—	—	(4,984)
Net transfers to/(from) Parent	—	—	(53,829)	53,829	
Other investing cashflows	—	—	—		—
Net cash (used in) provided by investing activities	—	(11,585)	(53,829)	53,829	(11,585)
Cash flows from financing activities:					
Borrowings on long-term debt	—	142,000	—	—	142,000
Payments on long-term debt	—	(142,000)	—	—	(142,000)
Net transfers from/(to) Parent	—	53,829	—	(53,829)	—
Payment of dividends to Parent	—	—	(12,678)	6,660	(6,018)
Other financing activities	—	(1,939)	—	—	(1,939)
Net cash provided by (used in) financing activities	—	51,890	(12,678)	(47,169)	(7,957)
Net (decrease) increase in cash and cash equivalents	—	54,974	377	—	55,351
Cash and cash equivalents, beginning of period	—	59,538	7,544	—	67,082
Cash and cash equivalents, end of period	$ —	$ 114,512	$ 7,921	$ —	$ 122,433

Note 14 Restatement

We have restated our consolidated statements of operations and cash flow for the fiscal three months April 2, 2010 and our consolidated balance sheet as of April 2, 2010 (not presented herein), to correct identified errors. The identified errors were primarily associated with (i) unbilled receivable and related revenue primarily where an allowance for collection was not provided timely; (ii) certain accrued liabilities that were previously omitted in such consolidated financial statements; and (iii) adjustments necessary to correct errors identified in results of operations in an equity method investee.

The following table presents the impact of the restated adjustments on our consolidated statement of operations for the three months ended April 2, 2010:

DYNCORP INTERNATIONAL INC.

STATEMENT OF OPERATIONS

	Three Months Ended April 2, 2010		
(Amounts in thousands)	**As Reported**	**Adjustments**	**As Restated**
Revenue	$ 1,063,743	$ (9,952)	$1,053,791
Cost of services	(976,521)	2,702	(973,819)
Selling, general and administrative expenses	(19,309)	—	(19,309)
Depreciation and amortization expense	(10,726)	—	(10,726)
Operating income	57,187	(7,250)	49,937
Interest expense	(13,694)	—	(13,694)
Interest income	33	—	33
Other income, net	2,334	(547)	1,787
Income before income taxes	45,860	(7,797)	38,063
Provision for income taxes	(15,471)	2,804	(12,667)
Net income	30,389	(4,993)	25,396
Noncontrolling interests	(5,928)	—	(5,928)
Net income attributable to DynCorp International Inc.	$ 24,461	$ (4,993)	$ 19,468

The following table presents the impact of the restated adjustments on our consolidated statement of cash flows for the three months ended April 2, 2010:

DYNCORP INTERNATIONAL INC.
STATEMENT OF CASH FLOWS

(Amounts in thousands)	Three Months Ended April 2, 2010		
	As Reported	Adjustments	As Restated
Cash flows from operating activities			
Net income	$ 30,388	$ (4,992)	$25,396
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,842	—	10,842
Loss on disposition of assets	1,426	—	1,426
Excess tax benefits from equity-based compensation	(68)	(4)	(72)
Amortization of deferred loan costs	963	—	963
Allowance for losses on accounts receivable	36	—	36
Earnings from equity method investees	(1,343)	1	(1,342)
Distributions from affiliates	1,263	—	1,263
Deferred income taxes	3,121	1,250	4,371
Equity-based compensation	327	—	327
Changes in assets and liabilities:			
Restricted cash	9,225	—	9,225
Accounts receivable	(80,595)	8,454	(72,141)
Prepaid expenses and other current assets	14,090	(713)	13,377
Accounts payable and accrued liabilities	76,884	(2,677)	74,207
Income taxes payable	8,334	(1,319)	7,015
Net cash provided by operating activities	74,893	—	74,893
Cash flows from investing activities			
Cash paid for acquisitions, net of cash acquired	(4,984)	—	(4,984)
Purchase of property and equipment, net	(1,505)	—	(1,505)
Purchase of computer software	(5,096)	—	(5,096)
Net cash used in investing activities	(11,585)	—	(11,585)
Cash flows from financing activities			
Borrowings on long-term debt	142,000	—	142,000
Payments on long-term debt	(142,000)	—	(142,000)
Payments under other financing arrangements	(2,011)	—	(2,011)
Excess tax benefits from equity-based compensation	72	—	72
Payments of dividends to noncontrolling interests	(6,018)	—	(6,018)
Net cash (used in) provided by financing activities	(7,957)	—	(7,957)
Net increase (decrease) in cash and cash equivalents	55,351	—	55,351
Cash and cash equivalents, beginning of period	67,082	—	67,082
Cash and cash equivalents, end of year	$ 122,433	—	$122,433
Income taxes paid, net	$277	—	$277
Interest paid	$21,721	—	$21,721

Note 15 — Subsequent Events

We evaluated subsequent events that occurred after the period end date through May 14, 2011, the date the financial statements were available to be reported. We concluded that no subsequent events have occurred that require recognition on our financial statements for the three months ended April 2, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our condensed consolidated financial condition and results of operations should be read in conjunction with the Delta Tucker Holdings, Inc. unaudited condensed consolidated financial statements, and the notes thereto, the Predecessor DynCorp International unaudited consolidated financial statements and other data contained elsewhere in this Quarterly Report. The following discussion and analysis should also be read in conjunction with our 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 available on our website at www.dyn-intl.com.

Company Overview

We are a leading provider of specialized mission-critical professional and support services for the United States ("U.S.") military, non-military U.S. governmental agencies and foreign governments. Our specific global expertise is in law enforcement training and support, security services, base and logistics operations, intelligence training, rule of law development, construction management, platform services and operations, and linguist services. We also provide logistics support for all our services. Through our Predecessor entities, we have provided essential services to numerous U.S. government departments and agencies since 1951. Our current customers include the U.S. Department of Defense ("DoD"), the Department of State ("DoS"), foreign governments, commercial customers and certain other U.S. federal, state and local government departments and agencies.

Business Area Team ("BAT")

We group our various programs within each operating segment into BATs to manage, review and assess our business performance. During the three months ended April 1, 2011, we modified our BAT structure. We divided the Training, Mentoring & Security BAT into two BATs consisting now of Training & Mentoring and Security. Additionally, we moved various programs out of the Development BAT into other BATs. Most notably, we (i) moved Air Force Contract Augmentation Program ("AFCAP") and Africa Peacekeeping into the Contingency Operations BAT within the GSDS segment and (ii) moved War Reserve Materiel ("WRM") and Philippines Operations Support ("POS") into the Operations & Maintenance BAT in the GPSS segment. Descriptions of our BATs by operating segments are as follows:

Global Stabilization and Development Solutions ("GSDS")

GSDS provides a diverse collection of outsourced services primarily to government agencies worldwide. GSDS includes five BATs as described below:

Contingency Operations — This BAT provides U.S. military operations and maintenance support, including but not limited to: construction services, facilities management, electrical power, water, sewage and waste management, laundry operations, food services and transportation motor pool operations. LOGCAP IV is the most significant program in our Contingency Operations BAT. This BAT also includes services we provide including peacekeeping logistics support, humanitarian relief; worldwide contingency planning and other rapid response services; inventory procurement, property control and tracking services; mobile repair services; facility and equipment maintenance and control; and engineering and construction management services.

Development — This BAT, is primarily comprised of programs from the acquisition of Casals & Associates, Inc. ("Casals") and includes other legacy DynCorp programs. This BAT supports U.S. foreign policy and international development priorities by assisting in the development of stable and democratic governments, implementing anti-corruption initiatives, and aiding the growth of democratic public and civil institutions

Intelligence Training and Solutions — This BAT was created as a result of the acquisition of Phoenix Consulting Group, LLC ("Phoenix") and provides proprietary training courses, management consulting and augmentation services to the intelligence community and national security clients. As part of our proprietary training courses, we offer a highly specialized human intelligence ("HUMINT") course curriculum taught by cleared intelligence professionals to other intelligence, counterintelligence, special operations and law enforcement personnel.

Training & Mentoring — This BAT provides international policing and police training, judicial support, immigration support and base operations. Under this BAT, we also provide senior advisors and mentors to foreign governmental agencies.

Security — This BAT provides security and personal protection for diplomats and senior governmental officials.

Global Platform Support Solutions ("GPSS")

GPSS provides a wide range of technical, engineering, logistics and maintenance support services primarily to government agencies worldwide. Additionally, GPSS provides services including drug eradication and host nation pilot and crew training. GPSS includes three BATs as described below.

Aviation — This BAT provides worldwide maintenance of aircraft fleet and ground vehicles, modification, repair, and logistics support on aircraft, aerial firefighting services, weapons systems, and related support equipment to the DoD and other U.S. government agencies and direct contracts with foreign governments for maintenance and technical support. Contract Field Teams ("CFT") is the most significant program in our Aviation BAT. This program deploys highly mobile, quick-response field teams to customer locations globally to supplement a customer's workforce. We have provided services under this program for over 58 consecutive years.

Air Operations — This BAT provides foreign assistance programs to help foreign governments improve their ability to develop and implement national strategies and programs to prevent the production, trafficking, and abuse of illicit drugs. International Narcotics and Law Enforcement ("INL") Air-Wing program supports governments in multiple Latin American countries and provides support and assistance with interdiction services in Afghanistan. Also, this program provides intra theater transportation services for DoS personnel throughout Iraq and Afghanistan.

Operations and Maintenance — This BAT provides maintenance, base operations support, engineering, supply and logistics, marine maintenance services and program management services primarily for ground vehicles, support equipment, pre-positioned war reserve materials, facilities, and contingency response on a worldwide basis. This includes the services we provide under key BAT contracts such as the Mine Resistant Ambush Protected Vehicles Logistics Support ("MRAP") Contract and the War Reserve Material Contract. These services are provided to U.S. government agencies in both domestic and foreign locations, foreign government entities, and commercial customers.

Global Linguist Solutions ("GLS")

GLS is a joint venture between DynCorp International and McNeil Technologies ("McNeil"), in which we have a 51% ownership interest. GLS currently and historically has had no other operations outside of performance on the Intelligence and Security Command ("INSCOM") contract, which began services in 2008. All of our current INSCOM task orders are cost-reimbursement with an award fee. Our GLS operating segment is comprised of a single BAT, Linguistics & Translation. We have historically had strong performance on this contract, as represented by six consecutive 100% award fees on all active task orders.

Linguistics & Translation: This BAT provides rapid recruitment, deployment and on-site management of interpreters and translators in-theatre for a wide range of foreign languages in support of the U.S. Army, unified commands attached forces, combined forces, and joint elements executing the Operation Iraqi Freedom ("OIF") mission, and other U.S. government agencies supporting the OIF mission

CURRENT OPERATING CONDITIONS AND OUTLOOK

There have been no material changes to the Company's industry outlook, economic conditions, or internal strategy from those disclosed in the Company's Annual Report for the period from April 1, 2010 (Inception) through December 31, 2010.

Notable Events for the three months ended April 1, 2011.

- In January 2011, we received a $46.0 million tax refund from the Internal Revenue Service ("IRS"). We had previously received a $34.1 million tax refund from the IRS in December 2010. The combined $80.1 million refund related to an approved change in accounting method ("CIAM") as further discussed in our Annual Report as of December 31, 2010.
- In January 2011, we were awarded a task order under our CFT program with the U.S. Air Force. The one year base and one option year contract has a revenue potential of $105.0 million.
- In order to improve the structure of our company, we realigned and eliminated certain positions during the three months ended April 1, 2011. This triggered severance of $1.7 million that primarily impacted Selling, General and Administrative expenses ("SG&A") expenses during the quarter. This realignment is expected to result in lower consolidated labor related SG&A expenses during the remainder of calendar year 2011.
- In January 2011, we terminated certain legacy Phoenix Consulting Group, LLC employees. This accelerated certain retention bonus expenses previously being amortized over thirty-six months, resulting in $3.1 million of retention bonus expenses incurred during the three months ended April 1, 2011. This was a non-cash expense funded through a Phoenix acquisition related escrow account.
- In February 2011, we sent termination notices to approximately 36 employees working in Germany on the Contract Field Teams ("CFT") program. This resulted in us incurring approximately $2.2 million of severance costs.
- In February 2011, we were notified that the Iraqi based portion of the CivPol contract was extended until March 2012.
- In February 2011, we were awarded a contract through our subsidiary, Casals & Associates, in Timor Leste to support anti-corruption efforts. The 36 month contract has an annual revenue potential of $6.9 million.
- In March 2011, we were notified that we lost the LCCS-Navy contract. This caused us to revalue certain inventory at market, which caused a $1.9 million write down. We also re-categorized the carrying value of $2.8 million of inventory to held-for-sale, see further discussion in Note 3.
- In March 2011, we made a $50 million payment on our term loan. This included the scheduled quarterly $1.4 million payment as well as $48.6 million of additional principal. This caused the acceleration of unamortized deferred financing fees of $2.4 million, which was recorded as loss on extinguishment of debt.
- In March 2011, we entered into an agreement to sell two MD 530F Helicopters totaling $1.6 million. We also wrote down the remaining value of the helicopter inventory by $0.6 million in line with the sales price during the first quarter of calendar year 2011. We expect the sale to close in the second quarter of calendar year 2011.
- In March 2011, we received our second LOGCAP IV Award Fee determination related to the Afghanistan operations. This award fee covered definitized costs from August 1, 2010 through January 31, 2011 and was higher than our previous award fee score. This contributed to us recording $14.1 million in revenue during the three months ended April 1, 2011.

CONTRACT TYPES

Our business is performed under fixed-price, time-and-materials or cost-reimbursement contracts. Each contract type is described below.

- *Fixed-Price Type Contracts:* In a fixed-price contract, the price is not subject to adjustment based on costs incurred, which can favorably or adversely impact our profitability depending upon our execution in performing the contracted service. Fixed-price contracts received by us include firm fixed-price, fixed-price with economic adjustment, and fixed-price incentive.

- *Time-and-Materials Type Contracts:* A time-and-materials type contract provides for acquiring supplies or services on the basis of direct labor hours at fixed hourly/daily rates plus materials at cost.

- *Cost-Reimbursement Type Contracts:* Cost-reimbursement type contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract, plus a fixed-fee, award-fee or incentive-fee. Award-fees or incentive-fees are generally based upon various objective and subjective criteria, such as aircraft mission capability rates and meeting cost targets.

Any of these three types of contracts discussed above may be executed under an indefinite order indefinite quantity ("IDIQ") contract, which are often awarded to multiple contractors. An IDIQ contract does not represent a firm order for services. Our Civilian Police ("CivPol"), Contract Field Teams ("CFT"), and Logistics Civil Augmentation ("LOGCAP IV") programs are three examples of IDIQ contracts.

The following table sets forth our approximate revenue per contract-types as of the date indicated:

	Three Months Ended April 1, 2011
Fixed-Price	19%
Time-and-Materials	15%
Cost-Reimbursement	66%
Total	100%

Our cost-reimbursable contracts make up the largest portion of our revenue which is primarily attributable to the LOGCAP IV program which is entirely cost-reimbursable.

BACKLOG

We track backlog in order to assess our current business development effectiveness and to assist us in forecasting our future business needs and financial performance. Our backlog consists of funded and unfunded amounts under contracts. Funded backlog is equal to the amounts actually appropriated by a customer for payment of goods and services less actual revenue recognized as of the measurement date under that appropriation. Unfunded backlog is the actual dollar value of unexercised, priced contract options and the unfunded portion of exercised contract options. Most of our U.S. government contracts allow the customer the option to extend the period of performance of a contract for a period of one or more years. These priced options may or may not be exercised at the sole discretion of the customer. It has been our experience that the customer has typically exercised contract options.

Firm funding for our contracts is usually made for one year at a time, with the remainder of the contract period consisting of a series of one-year options. As is the case with the base period of our U.S. government contracts, option periods are subject to the availability of funding for contract performance. The U.S. government is legally prohibited from ordering work under a contract in the absence of funding. Our historical experience has been that the government has typically funded the option periods of our contracts.

The following table sets forth our approximate backlog as of the dates indicated:

	As Of	
	April 1, 2011	December 31, 2010
	(Amounts in millions)	
Funded Backlog	$ 1,588	$ 1,823
Unfunded Backlog	2,706	2,959
Total	$ 4,294	$ 4,782

Total backlog as of April 1, 2011 was $4.3 billion, which decreased by $0.5 billion as compared to $4.8 billion as of December 31, 2010. This was primarily due to revenue recognized on various contracts during the three months ended April 1 2011, partially offset by new or modified task and delivery orders on programs including LOGCAP IV and CivPol.

RESULTS OF OPERATIONS

Delta Tucker Holdings, Inc. Results of Operations –Three Months Ended April 1, 2011

The following tables set forth our unaudited consolidated results of operations for the three months ended April 1, 2011, both in dollars and as a percentage of revenue:

(Amounts in thousands)	**Three Months Ended April 1, 2011**	
Revenue	$884,324	100.0%
Cost of services	(806,191)	(91.2%)
Selling, general and administrative expenses	(37,527)	(4.2%)
Depreciation and amortization expense	(13,131)	(1.5%)
Earnings from equity method investees	4,726	0.5%
Operating income	32,201	3.6%
Interest expense	(23,506)	(2.7%)
Loss on early extinguishment of debt	(2,397)	(0.3%)
Interest income	75	0.0%
Other income, net	2,848	0.3%
Income before income taxes	9,221	1.0%
Provision for income taxes	(3,575)	(0.4%)
Net income	5,646	0.6%
Noncontrolling interest	(738)	(0.1%)
Net income attributable to Delta Tucker Holdings, Inc.	$4,908	0.6%

Revenue – Revenue was $884.3 million for the three months ended April 1, 2011. Revenue was primarily driven by our Contingency Operation BAT within our GSDS segment, which includes the LOGCAP IV program. Also significantly adding to revenue were our Aviation, Training & Mentoring and Air Operations BATs. See further discussion of our revenue results in the results by segment below.

Cost of services – Costs of services are comprised of direct labor, direct material, subcontractor costs, travel, supplies and other miscellaneous costs. Cost of services was $806.1 million for the three months ended April 1, 2011. As a percentage of revenue, Cost of services was 91.2%, primarily impacted by margins on our largest programs such as LOGCAP IV, CivPol, Contract Field Teams and INL Air Wing.

Selling, general and administrative expenses ("SG&A") – SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing, and business development. SG&A expenses were $37.5 million for the three months ended April 1, 2011. As a percentage of revenue, SG&A expenses were 4.2% and were impacted by several items such as (i) severance costs of $1.7 million due to the corporate realignment, (ii) severance costs of $2.2 million due to the notification of termination of employees in on our CFT program in Germany, (iii) $3.2 million in non-cash expenses due to the acceleration of Phoenix retention bonus and (iv) $0.7 million in accelerated retention bonus expenses associated with Casals. In future periods, we expect SG&A expenses to continue to decrease as a result of the specific cost cutting efforts noted above.

Depreciation and amortization – Depreciation and amortization was $13.1 million for the three months ended April 1, 2011. The expense consisted of monthly amortization expenses recognized on the carrying values of certain intangibles valued at fair value from acquisition accounting and amortization related to the cost basis of other intangible assets.

Earnings from equity method investees – Earnings from unconsolidated affiliates of $4.7 million includes our proportionate share of equity method investees deemed to be an extension of our BATs and operationally integral to our business. The majority of earnings from unconsolidated affiliates are primarily attributable to GLS.

Interest expense – Interest expense was $23.5 million for the three months ended April 1, 2011. Interest expense is primarily comprised of interest expense attributable to our senior unsecured notes and interest expense attributable to our senior

credit facility including the amortization of deferred financing costs related to both. Interest expense is also impacted by interest related to financed insurance, interest associated with income taxes and other miscellaneous interest expense.

Loss on early extinguishment of debt – Loss on the early extinguishment of debt of $2.4 million was attributable to an early $48.6 million principal prepayment provided for on the senior credit facility. Deferred financing costs associated with the additional payment were expensed and recorded to the loss on early extinguishment of debt.

Other Income, net – Other income was $2.8 million and includes our share of earnings from unconsolidated joint ventures that are not operationally integral to our business as well as gains/losses from foreign currency and asset sales.

Income Taxes – Our effective tax rate for the three months ended April 1, 2011 of 38.8% was primarily driven by our statutory tax rates and certain non-deductible expenses.

Results by Segment

The following tables set forth the revenue for our GSDS, GPSS and GLS operating segments, both in dollars and as a percentage of our consolidated revenue as well as operating income for our operating segments along with segment operating margin, for the three months ended April 1, 2011.

(Amounts in thousands)	**Three Months Ended April 1, 2011**	
Revenue		
Global Stabilization and Development Solutions	$575,527	57.1%
Global Platform Support Solutions	306,182	30.4%
Global Linguist Solutions	126,406	12.5%
Total segments	1,008,115	100.0%
GLS deconsolidation	(126,406)	
Headquarters/elimination [(1)]	2,615	
Consolidated revenue	$884,324	
Operating Income		
Global Stabilization and Development Solutions	$17,711	3.1%
Global Platform Support Solutions	21,005	6.9%
Global Linguist Solutions	9,164	7.2%
Total segments	47,880	4.7%
GLS deconsolidation	(9,164)	
Headquarters[(2)]	(6,515)	
Consolidated operating income	$32,201	

(1) Headquarters revenue primarily represents revenue earned on shared service arrangements for general and administrative services provided to unconsolidated joint ventures at zero profit.

(2) The Headquarters portion of operating income primarily relates to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers, partially offset by equity method investee income.

Global Stabilization and Development Solutions

Revenue – Revenue was $575.5 million for the three months ended April 1, 2011. The results of the BATs within this segment are listed below, excluding certain segment home office non-allocated amounts:

Contingency Operations: Revenue was $393.8 million, primarily due to LOGCAP IV operations in Afghanistan including the recognition of additional award fee revenue during the period as we received award fee performance scores on task orders. We expect the LOGCAP IV program to experience continued growth as we look to expand the program scope in other areas within Afghanistan.

Development: Revenue was $9.2 million, primarily from our subsidiary, Casals & Associates, Inc.

Intelligence Training and Solutions: Revenue was $8.1 million, consisting primarily of training services performed by our subsidiary, Phoenix Consulting Group, LLC.

Training & Mentoring: Revenue was $148.8 million, primarily attributable to our CivPol program. During the period, the ANP/MoI Development Program ("ANP MoI") program began operations and will ultimately replace most of CivPol-Afghanistan program. We expect the CivPol Afghanistan ramp down to transition through June 2011. Thereafter, we expect CivPol-Afghanistan operations to continue, but at lower revenue levels. Also contributing to our Training & Mentoring revenue were our CSTC-A and MNSTC-I programs. Overall, we expect our Training & Mentoring revenue to increase as compared to the current quarter run rate due to the projected ramp-up of the ANP MoI program.

Security: Revenue was $14.5 million, primarily attributable to the World Wide Personal Protection Program. We expect revenue to be steady to increasing as we pursue new business opportunities.

Operating Income – Operating income was $17.7 million during the three months ended April 1, 2011. Operating income benefited from our 70% profit share of $14.1 million of LOGCAP IV award fee revenue recorded due to solid award fee scores. This was partially offset by severance costs on the ITS and Development BATs. As a percentage of revenue, operating income was 4.7%, which was significantly impacted by margins on the LOGCAP IV programs.

Global Platform Support Solutions

Revenue – Revenue was $306.2 million for the three months ended April 1, 2011. The results of the BATs within this segment are listed below, excluding certain segment home office non-allocated amounts:

Aviation: Revenue of $153.3 million was primarily comprised of CFT programs as well as several contracts to provide varying levels of aircraft and helicopter maintenance. This BAT benefited from the recent win of the Fort Campbell contract which is one of our CFT programs. We believe for the remainder of the year, we will obtain a competitive advantage in winning new work at higher margins as the customer focuses on quality.

Air Operations: Revenue was $107.3 million primarily comprised of revenue on the INL Air Wing program providing transportation services in Iraq, as well as drug eradication operations in Afghanistan, Colombia, and other countries. We anticipate continued increases in INL Air Wing service levels in Iraq and Afghanistan to positively benefit revenue in calendar year 2011.

Operations & Maintenance: Revenue of $44.9 million was primarily comprised of revenue earned on the War Reserve Material program, the Philippines Operations Support Programs and the MRAP program.

Operating Income – Operating income of $21.0 million was primarily impacted by lower margins on revenue in our Aviation and Operations & Maintenance BATs. Operating income was also impacted by $2.2 million of severance expense related to certain German employees on the Contract Field Teams program and a $1.9 million write down of LCCS inventory partially offset by the growth of our Counter Narcoterrorism Technology Program Office ("CNTPO") helicopter maintenance program.

Global Linguist Solutions

Revenue of $126.4 million was directly linked to the number of linguists deployed in support of U.S. troop levels in Iraq, which has trended lower during the period due to troop draw-downs. GLS is an operationally integral equity method investee and as such, revenue for the entity is not included in our consolidated revenue on our statement of income.

Operating income of $9.2 million was directly impacted by revenue as discussed above and the receipt of higher than expected award fee scores on the INSCOM program.

Predecessor Results of Operations – Three Months Ended April 2, 2010

Consolidated Results

The following table sets forth our Predecessor's consolidated results of operations, both in dollars and as a percentage of revenue for the three months ended April 2, 2010:

	Predecessor	
	Three Months Ended April 2, 2010	
(Amounts in thousands)		
Revenue	$ 1,053,791	100.0%
Cost of services	(973,819)	(92.4%)
Selling, general and administrative expenses	(19,309)	(1.8%)
Depreciation & amortization expense	(10,726)	(1.1%)
Earnings from equity method investees	-	(0.0%)
Operating income	49,937	4.7%
Interest expense	(13,694)	(1.3%)
Interest income	33	0.0%
Other income, net	1,787	0.1%
Income before income taxes	38,063	3.5%
Provision for income taxes	(12,667)	(1.2%)
Net income	25,396	2.4%
Noncontrolling interests	(5,928)	(0.6%)
Net income attributable to DynCorp International Inc.	$ 19,468	1.8%

Revenue – Revenue for the three months ended April 2, 2010 of $1,053.8 million, which is more fully described in the results by segment, included a full quarter of revenue from the LOGCAP IV Afghanistan task order, which did not start ramping up until September 2009.

Cost of services - Costs of services are comprised of direct labor, direct material, subcontractor costs, other direct costs and overhead. Other direct costs include travel, supplies and other miscellaneous costs. Costs of services for the three months ended April 2, 2010 totaled $973.8 million, or 92.4% of revenue. Cost of services as a percentage of revenue included a significant LOGCAP IV contribution. A change in overall contract mix and cost increases on CFT programs also impacted Cost of services for the period.

Selling, general and administrative expenses ("SG&A") - SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing and business development. SG&A for the three months ended April 2, 2010 was $19.3 million, or 1.8% of revenue. SG&A costs for the quarter benefited from a favorable judgment on the Worldwide Network Services ("WWNS") case which allowed us to reverse a $10 million legal reserve during the quarter.

Depreciation and amortization - Depreciation and amortization for the three months ended April 2, 2010 was $10.7 million, or 1.1% of revenue, and was comprised primarily of amortization of customer related intangibles and the amortization of Phoenix and Casals intangibles.

Interest expense - Interest expense for the three months ended April 2, 2010 was $13.7 million, or 1.3% of revenue. The interest expense incurred was primarily attributable to DynCorp International's credit facility, 9.5% senior subordinated notes and amortization of deferred financing fees relating to these debt instruments.

Income tax expense – Our effective tax rate was 33.3% for the three months ended April 2, 2010. Our effective tax rate was impacted by the difference between financial reporting and tax treatment of GLS and DIFZ, which are not consolidated for tax purposes but are instead taxed as a partnership under the Internal Revenue Code.

Noncontrolling interests — Noncontrolling interests reflect the impact of our equity partners' interest in our consolidated joint ventures, GLS and DIFZ. For the three months ended April 2, 2010, noncontrolling interests for GLS and DIFZ were $4.9

million and $1.0 million, respectively.

Results by Segment

The following table sets forth the revenue and operating income for our GSDS, GPSS and GLS operating segments, both in dollars and as a percentage of our consolidated revenue and operating income, for the three months ended April 2, 2010.

(Amounts in thousands)	**Predecessor Three Months Ended April 2, 2010**	
Revenue		
Global Stabilization and Development Solutions	$554,613	52.6%
Global Platform Support Solutions	339,654	32.2%
Global Linguist Solutions	159,808	15.2%
Total segments	1,054,075	100.0%
Headquarters/elimination	(284)	
Consolidated revenue	$1,053,791	
Operating Income		
Global Stabilization and Development Solutions	$26,046	4.7%
Global Platform Support Solutions	26,504	7.8%
Global Linguist Solutions	10,706	6.7%
Total segments	63,256	6.0%
Headquarters[(1)]	(13,319)	
Consolidated operating income	$49,937	

(1) Headquarters operating income primarily relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.

Global Stabilization and Development Solutions

Revenue – Revenue of $554.6 million for the three months ended April 2, 2010 was comprised primarily of $319.8 million of revenue on the LOGCAP IV program, which benefited from a full quarter of operations in Afghanistan and $128.1 of revenue earned on our CivPol program primarily for training and mentoring services in Iraq and Afghanistan.

Operating Income – Operating income of $26.0 million for the three months ended April 2, 2010 was primarily comprised of operating income earned on the CivPol program and a favorable judgment on the Worldwide Network Services case, which allowed us to reverse a $10 million legal reserve during the quarter. Also contributing to the increase was operating income earned on the LOGCAP IV program, although at relatively low margins as criteria for award fee recognition had not yet been met for the quarter, and contributions by Intelligence and Training Solutions as a result of the Phoenix acquisition. Partially offsetting these operating income contributions were losses of $2.5 million on the Afghanistan construction programs.

Global Platform Support Solutions

Revenue – Revenue of $339.7 million for the three months ended April 2, 2010 was primarily comprised of, revenue from continuing services on the CFT program, although at lower than average margins, continuing services on the LCCS program, and continuing services on the MRAP program. GPSS revenue also benefited from a new contract to provide aircraft maintenance support services at Sheppard Air Force Base.

Operating Income – Operating income of $26.5 million for the three months ended April 2, 2010 was primarily comprised of contributions from the INL Airwing program including Iraq air transportation services and from contributions from the MRAP program.

Global Linguist Solutions

Revenue of $159.8 million was directly linked to the number of linguists deployed in support of U.S. troop levels in Iraq.

Operating income of $10.7 million was directly impacted by revenue as discussed above and the receipt of higher than expected award fee scores on the INSCOM program. Operating income earned by GLS benefits net income by our 51% ownership of the joint venture.

LIQUIDITY AND CAPITAL RESOURCES

Cash generated by operations and borrowings available under our new senior secured credit facility ("Senior Credit Facility") are our primary sources of short-term liquidity (refer to Note 7 to the Delta Tucker Holdings, Inc. unaudited condensed consolidated financial statements for more detail). We believe our cash flow from operations and our available borrowings will be adequate to meet our liquidity needs for the next twelve months. However, our cash flow from operations is heavily dependent upon billing and collection of our accounts receivable. Significant changes or limitations in collections or loss of our ability to access our revolver, as a result of covenant restraints, could negatively impact liquidity and our ability to fund our working capital needs sufficient to pay for materials, labor, services or subcontractors prior to receiving payments from our customers. There can be no assurance that sufficient capital will continue to be available in the future or that it will be available at terms acceptable to us. Failure to meet covenant obligations could result in elimination of access to our Senior Credit Facility, which would materially affect our future expansion strategies and our ability to meet operational obligations.

Management believes Days Sales Outstanding ("DSO") is an appropriate way to measure our billing and collections effectiveness. DSO measures the efficiency in collecting our receivables as of the period end date. Our DSO as of April 1, 2011 was 86 days. Going forward our expectation is that the quarterly DSO will decline to the 70s by the middle of calendar year 2011.

We expect improvements in our cash requirements for the remainder of calendar year 2011 from (i) resolution of the LOGCAP IV contract in Afghanistan with our subcontractors and (ii) improvements in payment cycle with our Department of State. Also, interest and principal payments on the Senior Credit Facility and new senior unsecured notes ("Senior Unsecured Notes") require significant cash. Additionally, our cash requirements can be impacted by significant new contract wins, the win of new task orders on existing programs, and business acquisitions we may invest in from time to time.

We continue to be audited by the DCAA. Their audits could suspend or disapprove certain costs from time to time, which could cause a temporary or permanent delay in our recovery of these costs.

Our cash balance benefited from a $46.0 million refund in January 2011 due to the approved change in accounting method ("CIAM") from the IRS. This CIAM allowed us to defer revenue associated with certain unbilled receivables until those receivables become billable. Additionally, we have sufficient net operating losses ("NOLs") and foreign tax credits to offset our taxable income, as such, we don't expect to pay any federal income taxes in calendar year 2011 and possibly calendar year 2012.

	Three Months Ended	
	Delta Tucker Holdings, Inc.	**Predecessor**
(Amounts in thousands)	**April 1, 2011**	**April 2, 2010**
Cash Flow Analysis		
Net Cash provided by operating activities	$ 25,832	$ 74,893
Net Cash used in investing activities	(281)	(11,585)
Net Cash used in financing activities	(56,348)	(7,957)

Delta Tucker Holdings Inc.

Cash provided by operating activities for the three months ended April 1, 2011 was $25.8 million. Cash generated from operations during the three months ended April 1, 2011 benefited from $48.0 million in refunds primarily related to the

approved CIAM with the IRS partially offset by slower collections of accounts receivable due to our ongoing billing efforts with the Department of State and Department of Defense.

Cash used in investing activities was $0.3 million for the three months ended April 1, 2011. This was primarily due to fixed asset and software purchases and partially offset by a $1.5 million return of capital from the Contingency Response Services LLC ("CRS") joint venture.

Cash used in financing activities was $56.3 million during the three months ended April 1, 2011. The cash used in financing activities during the three months ended April 1, 2011 was primarily comprised of a $50 million prepayment on our term loan in additional to our quarterly principal payment.

DynCorp International Inc.

Cash provided by operating activities for the three months ended April 2, 2010 was $74.9 million. Cash from operations benefited primarily from our net income as well as the timing of disbursements for expenses incurred during the quarter.

Cash used in investing activities was $11.6 million for the three months ended April 2, 2010. The cash used was primarily for the acquisition of Casals & Associates, Inc. as well as equipment and software purchases.

Cash used in financing activities was $8.0 million during the three months ended April 2, 2010. The cash used in financing activities during the three months ended April 2, 2010 was primarily comprised of dividend payments to our noncontrolling interest owners.

As of April 1, 2011, our debt was comprised of (i) $518.6 million of a term loan principal associated with our Senior Credit Facility, (ii) $455.0 million of Senior Unsecured Notes, and (iii) $0.6 million of pre-Merger senior subordinated notes. We had no revolver borrowings outstanding as of April 1, 2011. We had revolver borrowings during the three months ended April 1, 2011 with the maximum amount borrowed of $22.3 million. These borrowings were for working capital requirements resulting primarily from the timing of customer collections and vendor disbursements. Our available borrowing capacity as of April 1, 2011 was $121.5 million, after giving effect to $28.5 million of outstanding letters of credit.

The Senior Credit Facility includes a $570 million term loan facility running from July 7, 2010 through July 7, 2016 with a $150 million revolving credit facility running from July 7, 2010 through July 7, 2014. The outstanding term loan balance as of April 1, 2011 is $518.6 million as we have paid down $51.4 million of principal. We also incur quarterly interest payments on both the term loan and the revolving facility comprised of (i) revolver borrowings, (ii) letter of credit commitments and (iii) unused commitment fees. Refer to Note 7 to the Delta Tucker Holdings, Inc unaudited condensed consolidated financial statements for additional information related to the Senior Credit Facility.

The Senior Unsecured Notes carry $455 million of principal with a 10.375% interest rate. This debt agreement runs from July 7, 2010 through July 1, 2017 with the entire principal balance due on July 1, 2017. The interest payments are payable semi-annually on January 1st and July 1st. The first interest payment was made in January 2011.

In addition to the Senior Credit Facility and Senior Unsecured Notes, $0.6 million of our pre-Merger 9.5% senior subordinated notes remain outstanding as of April 1, 2011.

The weighted-average interest rate as of April 1, 2011 for our debt was 8.6%, excluding the impact of deferred financing fees. There were no interest rate hedges in place during the three months ended April 1, 2011.

Debt Covenants and Other Matters-Delta Tucker Holdings Inc.

The Senior Credit Facility contains financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. The negative covenants in the Senior Credit Facility include, among other things, limits on our ability to:

- declare dividends and make other distributions;
- redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;

- grant liens;
- make loans or investments (including acquisitions);
- incur additional indebtedness;
- modify the terms of certain debt;
- restrict dividends from our subsidiaries;
- change our business or business of our subsidiaries;
- merge or enter into acquisitions;
- sell our assets;
- enter into transactions with our affiliates; and
- make capital expenditures.

In addition, the Senior Credit Facility stipulates a maximum total leverage ratio as defined in the Senior Credit Facility, and minimum interest coverage ratio as defined in the Senior Credit Facility, that we must maintain.

The total leverage ratio is the Consolidated Total Debt as defined in the Senior Credit Facility, less unrestricted cash and cash equivalents (up to $25 million) to Consolidated EBITDA as defined in the Senior Credit Facility, for the applicable period. Our total leverage ratio cannot be greater than 5.0 to 1.0 for the period of July 3, 2010 to April 1, 2011. The maximum total leverage ratio diminishes annually thereafter.

The interest coverage ratio is the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the Senior Credit Facility. The interest coverage ratio must not be less than 2.35 to 1.0 for the July 3, 2010 to July 1, 2011 period. The minimum total leverage ratio increases annually thereafter.

In the event we fail to comply with the covenants specified in the Senior Credit Facility and the Indenture governing our Senior Unsecured Notes, we may be in default. As of December 31, 2010 and April 1, 2011, the Company was in compliance with all of its debt agreements. Beginning second quarter 2011, our required minimum interest coverage ratio test under our Senior Credit Facility increases and our maximum consolidated total leverage test decreases. Based on performance throughout the year, these changes to the required ratio test may require us to make an additional prepayment under the Senior Credit Facility in order to be in compliance. If we are required to make a payment but are unable to do so or are unable to negotiate a modification with the lenders, we would be in default under our Senior Credit Facility, which could have a material adverse impact on our business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions to determine reported amounts of certain assets, liabilities, revenue and expenses and the disclosure of related contingent assets and liabilities. These estimates and assumptions are based upon information available at the time of the estimates or assumptions, including our historical experience, where relevant. These significant estimates and assumptions are reviewed quarterly by management. This evaluation process includes a thorough review of key estimates and assumptions used in preparing our financial statements. Because of the uncertainty of factors surrounding the estimates, assumptions and judgments used in the preparation of our financial statements, actual results may differ from the estimates, and the difference may be material.

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

For a discussion of our critical accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our Annual Report (for the fiscal year ended December 31, 2010) posted to our website on March 31, 2011. Our accounting policies and any new accounting pronouncements are further discussed in Note 1 to the unaudited condensed consolidated financial statements included in this Quarterly Report.

ACCOUNTING DEVELOPMENTS

We have presented the information about accounting pronouncements not yet implemented in Note 1 to our Delta Tucker Holdings Inc**.** condensed consolidated financial statements included in this Quarterly Report.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk, primarily relating to potential losses arising from adverse changes in interest rates and foreign currency exchange rates. For a further discussion of market risks we may encounter, see "Risk Factors" disclosed in our Annual Report posted to our website, as updated by our Quarterly Report for the three months ended April 1, 2011.

Foreign Currency Exchange Rate Risk

There have been no material changes to the market risks related to foreign currency exchange rates previously disclosed in Part I, Item 1A. "Rick Factors" in our 2010 Annual Report posted to our website on March 31, 2011 at www.dyn-intl.com.

CONTROLS AND PROCEDURES

Not applicable.

OTHER INFORMATION

LEGAL PROCEEDINGS

Information related to various commitments and contingencies is described in Note 8 to the unaudited consolidated financial statements.

RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" in our Annual Report (for the fiscal year ended December 31, 2010) posted to our website www.dyn-intl.com on March 31, 2011 as updated by this Quarterly Report.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

DEFAULTS UPON SENIOR SECURITIES

None.