DELTA TUCKER HOLDINGS, INC.

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

or

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

For the transition period from to

Commission File Number: 333-173746

DELTA TUCKER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

1700 Old Meadow Road, McLean, Virginia 22102
(571) 722-0210
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

None

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer	☐	Accelerated filer	☐

Non-accelerated filer	☒	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of March 29, 2017 , the registrant had 100 shares of its common stock outstanding.

DELTA TUCKER HOLDINGS, INC.
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Forward-Looking Statements

This Annual Report on Form 10-K contains various forward-looking statements regarding future events and our future results that are subject to the safe harbors created by the Private Securities Litigation Reform Act of 1995 under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). 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:

- our substantial level of indebtedness, our ability to refinance or amend the terms of that indebtedness, and changes in availability of capital and cost of capital;
- the ability to refinance with subordinated indebtedness, or pay with proceeds of new equity or capital contributions, the 10.375% Senior Notes due 2017 (the "Senior Unsecured Notes") before May 8, 2017;
- the ability to refinance, amend or generate sufficient cash to repay our indebtedness, including any future indebtedness, which may force us to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- the future impact of mergers, acquisitions, divestitures, joint ventures or teaming agreements;
- the outcome of any material litigation, government investigation, audit or other regulatory matters;
- restatement of our financial statements causing credit ratings to be downgraded or covenant violations under our debt agreements;
- policy and/or spending changes implemented by the Trump Administration, any subsequent administration or Congress, including any further changes to the sequestration that the United States ("U.S.") Department of Defense ("DoD") is currently operating under;
- termination or modification of key 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 Bureau for International Narcotics and Law Enforcement Affairs, Office of Aviation ("INL Air Wing") and Logistics Civil Augmentation Program IV ("LOGCAP IV") contracts;
- the outcome of future extensions on awarded contracts, the outcomes of recompetes on existing programs, including but not limited to the ultimate outcome of the recompete process on the INL Air Wing program;
- changes in the demand for services provided by our joint venture partners;
- changes due to 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, including cyber security threats;
- variations in performance of financial markets;
- the inherent difficulties of estimating future contract revenue and changes in anticipated revenue from indefinite delivery, indefinite quantity ("IDIQ") contracts and indefinite quantity contracts ("IQC");
- the timing or magnitude of any award, performance or incentive fee granted under our government contracts;
- 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;
- decline in the estimated fair value of a reporting unit resulting in a goodwill impairment and a related non-cash impairment charged against earnings;
- changes in underlying assumptions, circumstances or estimates that may have a material adverse effect upon the profitability of one or more contracts and our performance;
- changes in our tax provisions or exposure to additional income tax liabilities that could affect our profitability and cash flows;
- uncertainty created by management turnover;
- termination or modification of key subcontractor performance or delivery;
- the ability to receive timely payments from prime contractors where we act as a subcontractor; and
- statements covering our business strategy, those described in "Item 1A. Risk Factors" of this Annual Report on Form 10-K and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission ("SEC").

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 statements contained herein will prove to be accurate. We assume no obligation to update the forward-looking statements.

Fiscal Year

The Company's quarterly period ends on the last Friday of the calendar quarter, except for the fourth quarter of the fiscal year, which ends on December 31. This Annual Report on Form 10-K reflects the consolidated financial results of the Company for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

Included in this Annual Report on Form 10-K are our audited consolidated statements of operations, comprehensive loss and the related statements of (deficit) equity and cash flows for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 . The audited consolidated balance sheets are included for the periods as of December 31, 2016 and December 31, 2015 .

PART I

ITEM 1. *BUSINESS.*

Unless the context otherwise indicates, references herein to "we," "our," "us," or "the Company" refer to Delta Tucker Holdings, Inc. and its consolidated subsidiaries. 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"). DynCorp International wholly owns DynCorp International LLC, which functions as the operating company.

The Delta Tucker Holdings, Inc. consolidated financial statements, included elsewhere in this Annual Report on Form 10-K, have been prepared pursuant to accounting principles generally accepted in the United States of America ("GAAP").

Overview

We are a leading global services provider offering unique, tailored solutions for an ever-changing world. Built on approximately seven decades of experience as a trusted partner to commercial, government and military customers, we provide sophisticated aviation solutions, law enforcement training and support, base and logistics operations, intelligence training, rule of law development, construction management, international development, ground vehicle support, counter-narcotics aviation, platform services and operations and linguist services.

Our customers include the U.S. Department of Defense ("DoD"), the U.S. Department of State ("DoS"), the U.S. Agency for International Development ("USAID"), foreign governments, commercial customers and certain other U.S. federal, state and local government departments and agencies. Revenue from the U.S. government accounted for approximately 95% , 93% and 94% of total revenue for the years ended December 31, 2016 , December 31, 2015 , and December 31, 2014 , respectively. Our contracts' revenue and percentage of total revenue from the U.S. government may fluctuate from year to year. These fluctuations can be due to contract length or contract structure, such as with IDIQ type contracts. IDIQ type contracts are often awarded to multiple contractors and provide the opportunity for awarded contractors to bid on task orders issued under the contract.

Contract Types

Our contracts typically have a term of three to ten years consisting of a base period with multiple option periods. Our contracts typically are awarded for an estimated dollar value based on the forecast of services to be provided under the contract over its maximum life. In addition, we have historically received additional revenue through increases in program scope beyond that of the original contract. These contract modifications typically consist of "over and above" requests derived from changes in customer requirements. The U.S. government is not obligated to exercise options under a contract after the base period. At the time of completion of the contract term of a U.S. government contract, the contract may be re-competed to the extent the service is still required.

Our contracts with the U.S. government or the government's prime contractor (to the extent that we are a subcontractor) generally contain standard, unilateral provisions under which the customer may terminate for convenience or default. U.S. government contracts generally also contain provisions that allow the U.S. government to unilaterally suspend us from obtaining new contracts and reduce the value of existing contract spend, pending the resolution of alleged violations of laws or regulations.

Most of our contracts are to provide services, rather than products, to our customers, resulting in the majority of costs being labor related. For this reason, we staff flexibly for each contract. If we lose a contract, we terminate or reassign the employees associated with the contract, hence cutting direct cost and overhead. Generally, elimination of employees would not generate significant separation costs other than those that would be incurred in the normal course of business and would generally be recoverable under applicable contract terms.

The types of services we perform also support our scalability as our primary capital requirements are working capital, which are variable with our overall revenue stream. The nature of our contracts does not generally require investments in fixed assets, and we do not have significant fixed asset investments tied to a single contract upon which our business materially depends. Additionally, our contract mix gives us a degree of flexibility to deploy assets purchased for certain programs to other programs in cases where the scope of our deliverables changes.

Our business generally is performed under fixed-price, time-and-materials or cost-reimbursement contracts. Each of these are described below:

- *Fixed-Price Type Contracts:* In a fixed-price contract, the price is generally 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. Our fixed-price contracts may include firm fixed-price, fixed-price with economic adjustment, and fixed-price incentive elements.

- *Time-and-Materials Type Contracts:* Time-and-materials type contracts provide 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, incentive-fee or a combination thereof. Award-fees or incentive-fees are generally based upon various objective and subjective criteria, such as aircraft mission capability rates and meeting cost targets. Award and incentive fees are excluded from estimated total contract revenue until a reasonably determinable estimate of award and incentive fees can be made.

A single contract may be performed under one or more of the contracts types discussed above. Any of these three types of contracts may be executed under an IDIQ contract, which are often awarded to multiple contractors. An IDIQ contract does not represent a firm order for services. Our CFT and LOGCAP IV programs are two examples of IDIQ contracts. When a customer wishes to order services under an IDIQ contract, the customer issues a task order request for proposal to the contractor awardees. The contract awardees then submit proposals to the customer and task orders are typically awarded under a best-value approach. However, many IDIQ contracts permit the customer to direct work to a particular contractor.

Our historical contract mix by type, as a percentage of revenue, is indicated in the table below.

	For the years ended		
Contract Type	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Fixed-Price	45%	44%	26%
Time-and-Materials	4%	5%	12%
Cost-Reimbursement	51%	51%	62%
Totals	100%	100%	100%

Cost-reimbursement type contracts typically perform at lower margins than other contract types but carry lower risk of loss. We anticipate cost-reimbursement and fixed-price type contracts will continue to represent a majority of our business for calendar year 2017.

Under many of our contracts, we may rely on subcontractors to perform all or a portion of the services we are obligated to provide to our customers. We use subcontractors primarily for specialized, technical labor and certain functions such as construction and catering. We often enter into subcontract arrangements in order to meet government requirements that certain categories of services be awarded to small businesses.

The following table sets forth our historical role as a prime contractor and subcontractor, as a percentage of revenue.

	For the years ended		
Type	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Prime contractor	95%	93%	93%
Subcontractor	5%	7%	7%
Totals	100%	100%	100%

Operating and Reportable Segments

In October 2016, the Company amended its organizational structure to improve efficiencies within existing businesses, capitalize on new opportunities, continue international growth and expand commercial business. The Company’s two operating and reporting segments, DynAviation and DynLogistics, were re-aligned into three operating and reporting segments: Aviation Engineering, Logistics, and Sustainment ("AELS"), Aviation Operations and Life Cycle Management ("AOLC") and DynLogistics. The Company's DynLogistics segment remained unchanged. Our three segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations (“FAR”), Cost Accounting Standards (“CAS”) and audits by various U.S. federal agencies. See Note 11 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of segments.

A description of each of our Reportable Segments is discussed further below.

AELS

The Company's AELS segment, comprised primarily of the Company's U.S. Air Force and U.S. Navy contracts within the former DynAviation segment, provides the technical information and expertise to manage large fleets and bases and delivers engineering and maintenance services to help keep operations running effectively. AELS offers a full spectrum of capabilities including training, supply chain management, aircraft modernization, platform sustainment and data optimization. The T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS"), Contractor Logistics Support: T-34, T-44, T-6 ("CLS") and Naval Test Wing Patuxent River MD ("Pax River") programs are three of the most significant programs in the AELS segment. Under the T-6 COMBS contract, the U.S. Air Force contracts the Company to perform support services for the T-6A and T-6B aircraft. Our CLS and Pax River programs provide maintenance and logistics support to the U.S. Navy T-34, T-44, and T-6 aircraft and maintenance and logistic support on Naval Test Wing Atlantic aircraft, respectively.

AOLC

The Company's AOLC segment, comprised primarily of the Company's Army and INL Air Wing contracts within the former DynAviation segment, provides aircraft operations and logistics services to include modernization and refurbishments, upgrades and sustainment, and maintenance and support for key military, government and commercial customers worldwide. The INL Air Wing and Theater Aviation Sustainment Manager - OCONUS ("TASM-O") programs are two of the most significant programs in the AOLC segment. The INL Air Wing program supports governments in multiple Latin American countries and provides support and assistance with interdiction services in Afghanistan. This program also provides intra-theater transportation services for DoS personnel throughout Iraq and Afghanistan. The TASM-O program provides aviation maintenance services under the Army Aviation Field Maintenance ("AFM") program.

DynLogistics

This segment provides best-value mission readiness to its customers through total support solutions including conventional and contingency logistics, operations and maintenance support, platform modification and upgrades, supply chain management and training, security and full spectrum intelligence mission support services. The LOGCAP IV and War Reserve Materiel II ("WRM II") contracts are the most significant contracts within this segment. Under the LOGCAP IV program, which we perform under a single IDIQ contract, the U.S. Army contracts for us to perform selected services, operations and maintenance, engineering as well as construction and logistics predominately in the Middle East Theater to augment the U.S. Army, the U.S. Marine Corps and North Atlantic Treaty Organization ("NATO") forces and to release military units from combat service support missions or to fill the U.S. military resource shortfalls. Under the WRM II contract, the U.S. Air Force contracts the Company to perform, outload, and reconstitute the pre-positioned war reserve materiel in the U.S. Air Force Central Command Area of Responsibility as well as maintenance services on ground support equipment vehicles.

DynLogistics 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. This segment also provides base operations support, engineering, supply and logistics, pre-positioned war reserve materials, facilities, marine maintenance services, program management services primarily for ground vehicles and contingency response on a worldwide basis. These services are provided to U.S. government agencies in both domestic and foreign locations, foreign government entities and commercial customers.

Key Contracts

Logistics Civil Augmentation Program IV ("LOGCAP IV"): The LOGCAP IV contract was awarded to us in April 2008 and is a part of our DynLogistics segment. We were selected as one of the three prime contractors to provide logistics support under the LOGCAP IV contract. LOGCAP IV is the U.S. Army component of the DoD's initiative to award contracts to U.S. companies with a broad range of logistics capabilities to support U.S. and allied forces during combat, peacekeeping, humanitarian and training operations. This IDIQ contract has a term of up to ten years. In December 2012, customer negotiations resulted in the elimination of the award fee component for option years beginning in 2012 and continuing for the remaining contract periods. The remaining task orders under the LOGCAP IV contract are now either firm fixed price or cost-reimbursable-plus-fixed-fee.

Bureau for International Narcotics and Law Enforcement Affairs, Office of Aviation ("INL Air Wing"): The INL Air Wing program is a part of our AOLC segment. In May 2005, the DoS awarded this contract in support of the INL Air Wing program to aid in the eradication of illegal drug operations. This program also provides intra-theater transportation services for DoS personnel throughout Iraq and Afghanistan. The services provided under this contract are fixed-price and cost-reimbursable type services. In January 2015, the DoS issued a letter notifying us that our proposal on the recompete related to the INL Air Wing contract was outside of the competitive range and would not be considered further for award. We requested and received a pre-award debriefing of the DoS's evaluation. We filed a protest with the U.S. Government Accountability Office ("GAO") to challenge the decision by the DoS. In October 2015 we received notification of a new competitive range decision that reinstated our proposal back into the competitive range for the recompete regarding services after October 2016. We submitted our final proposal on May 4, 2016 and on September 1, 2016, we were notified that the DoS had awarded the re-compete of the INL Air Wing contract to another company. On September 11, 2016, we filed a protest with the GAO challenging the DoS agency's award determination. On September 27, 2016, AOLC finalized negotiations with the DoS Office of Acquisition Management regarding an extension of services on the INL Air Wing program and definitized an agreement for a one-year extension through October 31, 2017. On December 21, 2016, we were notified that the GAO denied our protest of the DoS agency's award determination of the INL Air Wing contract to another company. We continue to pursue legal recourse before the U.S. Court of Federal Claims regarding this matter.

Contract Field Teams ("CFT"): The CFT program is a part of our AELS segment. This program deploys highly mobile, quick-response field teams to customer locations to supplement a customer's workforce. The services we provide under the CFT program generally include mission support to aircraft and weapons systems and depot-level repair. Our customer for the CFT program is the DoD and the majority of our current delivery orders are time-and-materials, but we also have cost-reimbursement and fixed-priced services.

T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS"): The T-6 COMBS contract with the U.S. Air Force Materiel Command is a part of our AELS segment and provides support services for T-6A and T-6B aircraft at ten Air Force and Navy locations throughout the U.S. The majority of our contractual services are fixed-price. The contract began June 1, 2012 and consists of a five month base period and four one-year option years. In October 2016, we received a contract modification to extend the T-6 COMBS contract period of performance to April 2017.

Naval Test Wing Patuxent River MD ("Pax River"): The Pax River contract is a part of our AELS segment. This contract was awarded in July 2011 to provide organization level maintenance and logistic support on all aircraft and support equipment for which the Naval Test Wing Atlantic has maintenance responsibility. Labor and services will be provided to perform safety studies, off-site aircraft safety and spill containment patrols and aircraft recovery services. The cost-plus-fixed-fee contract has a base year plus four one-year option periods and ends on March 31, 2017. In December 2016, AELS was awarded the competitive follow-on contract which will commence April 1, 2017. The contract has a one-year base period and four one-year option periods and is a cost-plus-fixed-fee contract with a smaller portion of fixed-price services.

War Reserve Materiel ("WRM II"): The War Reserve Materiel contract is a part of our DynLogistics segment. Through this program, we manage the U.S. Air Force Central Command Area of Responsibility War Reserve Materiel Pre-positioning program, which includes operations in Oman, Bahrain, Qatar, Kuwait, United Arab Emirates and two locations in the United States (Yorktown, Virginia and Shaw Air Force base, South Carolina). Through this contract, we store, maintain and deploy assets such as tents, generators, vehicles, kitchens and medical supplies to deployed forces. The WRM II program continues to partner with the U.S. Air Force Central Command in the development of new and innovative approaches to asset management. Our contract is primarily cost-plus-award fee with a smaller portion of fixed-price services. In January 2017, the WRM II contract period of performance was extended to September 2017. On January 23, 2017, we were awarded the follow-on contract which contains a three-month transition period, five-month base period and seven one-year options. The follow-on contract is both cost-plus-fixed-fee with a smaller portion of fixed-price services.

Contractor Logistics Support: T-34, T-44, T-6 ("CLS"): The CLS program is part of our AELS segment. This contract was awarded in November 2014 to provide maintenance and logistics support to the United States Navy T-34, T-44, and T-6 aircraft programs. The services provided under this contract are fixed-price and cost-reimbursable type services. The contract has a one year base period plus four one-year option periods.

Theater Aviation Sustainment Manager - OCONUS ("TASM-O"): The TASM-O contract is a part of our AOLC segment. This contract was awarded in September 2013 to provide aviation maintenance services under the Army Aviation Field Maintenance ("AFM") program. The hybrid firm-fixed-price, cost-plus incentive fee contract has a one year base period plus four one-year option periods.

Andrews Air Force Base ("Andrews AFB"): The Andrews AFB program is a part of our AELS segment. Under the Andrews AFB contract, we perform aviation maintenance and support services, which include full back shop support, organizational level maintenance, fleet fuel services, launch and recovery, supply and Federal Aviation Administration ("FAA") repair services. Under this program we oversee the management of the U.S. presidential air fleet (other than Air Force One). Our principal customer under this contract is the U.S. Air Force. This contract was entered into September 2011, with the majority of contractual services provided on a fixed-price basis. The contract has a one-year base period plus six one-year options and one four-month option period.

G4 Worldwide Logistics Support ("GISS") : The GISS contract is a part of our DynLogistics segment. This contract was awarded in March 2015 to establish an enterprise approach for providing multi-disciplined engineering, facilities and logistical support for current and future Army Intelligence requirements across the wide range of intelligence disciplines in support of the United States Army's Intelligence and Security Command ("INSCOM"). The contract has a one-year base period, with four one-year option periods.

Estimated Total Contract Value and Certain Other Terms

The estimated total contract value represents amounts expected to be realized from the initial award date to the current contract end date (i.e., revenue recognized to date plus backlog). For the reasons stated under the captions "Risk Factors" and "Business - Key Contracts," the estimated total contract value or ceiling value specified under a government contract or task order is not necessarily indicative of the revenue that we will realize under that contract.

Key Contracts

The following table sets forth certain information for our principal contracts, including the initial start and end dates and the principal customer for each contract as of December 31, 2016 :

Contract	Segment	Principal Customer	Initial/Current Award Date	Contract End Date	Estimated Total Contract Value (1)
LOGCAP IV (2)	DynLogistics	U.S. Army	Apr-2008	Apr-2018	$6.56 billion (3)
INL Air Wing	AOLC	DoS	Jan-2001 / May-2005	Oct-2017	$4.69 billion
Contract Field Teams (4)	AELS	U.S. Air Force	Oct-1951 / Oct 2008	Mar-2017	$1.42 billion
TASM-O	AOLC	U.S. Army	Sep-2013	Dec-2018	$632 million
WRM II (5)	DynLogistics	U.S. Air Force	May-2000 / Jun-2008	Sep-2017	$613 million
T-6 COMBS	AELS	U.S. Air Force	Jun-2012	Apr-2017	$599 million
Pax River (6)	AELS	U.S. Navy	Jul-2011 / Aug-2011	Mar-2017	$596 million
CLS	AELS	U.S. Navy	Nov-2014	Sep-2019	$591 million
Andrews AFB	AELS	U.S. Air Force	Sep-2011	Dec-2018	$451 million
GISS	DynLogistics	U.S. Army	Mar-2015	Nov-2021	$321 million

(1) Estimated total contract value represents the start and end date of the contracts as modified and is not necessarily representative of the amount of work we will actually experience under the contract. With the exception of contract ceiling maximums, contract values can continue to increase or decrease over time based on contract modifications, extensions or placement of orders under IDIQ contracts.

(2) LOGCAP IV has a $5 billion ceiling per year per contractor over 10 years.

(3) As of December 31, 2016 , the LOGCAP IV estimated total contract value was impacted by the execution of a global settlement to finalize via a formal modification a number of outstanding contract actions and change orders.

(4) Contract Field Teams has a $10 billion ceiling maximum total for the IDIQ multiple award contract.

(5) In January 2017, DynLogistics was awarded the follow on contract, War Reserve Materiel III, which will commence September 2017. The contract has a three-month transition, five-month base period and seven one-year option periods with a total potential contract value of $412 million. The follow on contract is not reflected in the table above as the initial start date is subsequent to December 31, 2016 .

(6) In December 2016, AELS was awarded the follow on contract, the Naval Test Wing Atlantic contract, which will commence April 1, 2017. The contract has a one-year base period and four one-year option periods with a total potential contract value of $546 million. The follow on contract is not reflected in the table above as the initial start date is subsequent to December 31, 2016 .

Competition

We compete with various entities across geographic and business lines based on a number of factors, including services offered, experience, price, geographic reach and mobility. Most activities in which we engage are highly competitive and require that we have highly skilled and experienced technical personnel to compete. Some of our competitors may possess greater financial and other resources or may be better positioned to compete for certain contract opportunities.

We believe that our principal competitors include AAR Corp, ACADEMI, AECOM Technology Corporation, Aerospace Industrial Development Corporation, Al Salam Aircraft Company Ltd., Bell Helicopter, Boeing Corporation, Constellis Holdings, LLC, DRS Technologies, Inc., Elbit Systems Ltd., Engility Holdings, Inc., Fluor Corporation, IAP Worldwide Services, KBR, Inc., L3 Technologies, Inc., Lear Siegler, Pacific Architects and Engineers Incorporated, Lockheed Martin Corporation, M1 Support Services, L.P., ManTech International Corporation, Mission Essential Personnel, Northrop Grumman Corporation, Raytheon Company, Science Applications International Corporation, Serco Group plc, Textron Inc. and Vectrus, Inc. We believe that the primary competitive factors for our services include reputation, technical skills, past contract performance, experience in the industry (including our aircraft platform experience), cost competitiveness and customer relationships.

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. These priced options may or may not be exercised at the sole discretion of the customer. Unfunded backlog does not include future potential task orders expected to be awarded under IDIQ or other master agreement contract vehicles.

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. 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.

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

	December 31, 2016			
(Amounts in millions)	AELS	AOLC	DynLogistics	Total
Funded backlog	$ 291	$ 789	$ 323	$ 1,403
Unfunded backlog	1,133	263	917	2,313
Total backlog	$ 1,424	$ 1,052	$ 1,240	$ 3,716

	December 31, 2015			
(Amounts in millions)	AELS	AOLC	DynLogistics	Total
Funded backlog	$ 241	$ 556	$ 386	$ 1,183
Unfunded backlog	865	520	474	1,859
Total backlog	$ 1,106	$ 1,076	$ 860	$ 3,042

The increase in backlog as of December 31, 2016 was primarily due to new contract wins within the AELS and DynLogistics segments, partially offset by revenue recognized on current programs during the year ended December 31, 2016 .

We expect to recognize a substantial portion of our funded backlog as revenues within the next 12 months. However, the U.S. Government may cancel certain contracts through a termination for the convenience of the U.S. Government. Certain commercial or non-U.S. Government contracts may include provisions that allow the customer to cancel prior the completion of the contract, however, most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees for work performed.

Regulatory Matters

Contracts with the U.S. government are subject to a multitude of regulatory requirements, including but not limited to the Federal Acquisition Regulation ("FAR") and the Defense Federal Acquisition Regulation Supplement ("DFARS"), which set forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government. Under U.S. government regulations certain costs, including certain financing costs, lobbying expenses, certain types of legal expenses and certain marketing expenses related to the preparation of bids and proposals are not allowed for pricing purposes and calculation of contract reimbursement rates under cost-reimbursement contracts. The U.S. government also regulates the methods by which allowable costs may be allocated to U.S. government contracts.

Our international operations and investments are subject to U.S. government laws, regulations and policies, including the International Traffic in Arms Regulations, the Export Administration Act, the Foreign Corrupt Practices Act, the Office of Foreign Assets Control laws and regulations, the False Claims Act and other export laws and regulations. We must also comply with foreign government laws, regulations and procurement policies and practices, which may differ from U.S. government regulation, including import-export control, investments, exchange controls, repatriation of earnings, the UK Bribery Act, European Union compliance regulations and requirements to expend a portion of program funds in-country.

Our U.S. government contracts are subject to audits at various points in the contracting process. Pre-award audits are performed at the time a proposal is submitted to the U.S. government for cost-reimbursement contracts. The purpose of a pre-award audit is to determine the basis of the bid and provide the information required for the U.S. government to negotiate the contract effectively. In addition, the U.S. government may perform a pre-award audit to determine our capability to perform under a contract. During the performance of a contract, the U.S. government has the right to examine our costs incurred on the contract, including labor charges, material purchases and overhead charges. Upon a contract's completion, the U.S. government performs an incurred cost audit of all aspects of contract performance for cost-reimbursement contracts to ensure that we have performed the contract in a manner consistent with our proposal and FAR. The U.S. government also may perform a post-award audit for proposals that are subject to the Truth in Negotiations Act to determine if the cost proposed and negotiated was accurate, current and complete as of the time of negotiations.

The Defense Contract Audit Agency ("DCAA") performs these audits on behalf of the U.S. government. The DCAA also reviews and opines on the adequacy of, and our compliance with, our internal control systems and policies, including Accounting, Purchasing, Property, Estimating, Earned Value Management and Material Management Systems. The DCAA has the right to perform audits on our incurred costs on all flexibly-priced contracts on an annual basis. We have DCAA auditors on-site to monitor our billing and back office operations. An adverse finding under a DCAA audit could result in a recommendation of disallowed costs under a U.S. government contract, termination of U.S. government contracts, forfeiture of profits, withholding of payments, fines, suspension or prohibition from doing business with the U.S. government. In the event that an audit by the DCAA recommends disallowance of our costs under a contract, we have the right to appeal the findings of the audit under applicable dispute resolution provisions. Approval of submitted annual incurred costs claims can take many years. All of our incurred costs claims for U.S. government contracts completed through fiscal year 2011 have been audited by the DCAA and negotiated by the Defense Contract Management Agency ("DCMA"). Incurred cost claim audits for subsequent periods are ongoing. See "Item 1A. Risk Factors - A negative audit or other actions by the U.S. government could adversely affect our operating performance."

At any given time, many of our contracts are under review by the DCAA and other government agencies. We cannot predict the outcome of such ongoing audits and what, if any, impact such audits may have on our future operating performance.

Over the last few years, U.S. government contractors, including our Company, have seen a trend of increased oversight by the DCAA and other U.S. government agencies. If any of our internal control systems are determined to be non-compliant or inadequate, payments may be suspended under our contracts or we may be subjected to increased government oversight that could delay or adversely affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government.

Sales and Marketing

We provide our service solutions to a wide array of customers, primarily multiple departments and agencies within the U.S. government, as well as select international customers and commercial customers. We also provide our services to other prime contractors who have contracts with the U.S. government and other international customers where our capabilities help to deliver comprehensive solutions. We position our business development and marketing professionals to cover key accounts such as the DoS and the DoD, as well as other international and commercial market segments which hold the most promise for aggressive growth and profitability.

In order to sell our services in new geographic markets and diversify our customer base beyond our traditional customers, we have formed a Global Advisory Group to locate new business opportunities (the “Global Advisory Group”). The Global Advisory Group focuses on expanding beyond our traditional base to develop new business contracts with foreign governments and commercial customers (which accounted for approximately 5% of our revenues in 2016). We have expanded our team of internal advisors to include persons with the additional skills and experience that will better position us to take advantage of these new business opportunities.

We participate in national and international tradeshows, particularly as they apply to aviation services, logistics, contingency support, defense, diplomacy and development markets. We are also an active member in several organizations related to services contracting, such as the Professional Services Council.

As a global service solutions provider, we have unique experience and capability in providing value-added and full spectrum services to government agencies and selected partners worldwide.

Our business development and marketing professionals maintain close relationships with all existing customers while continuing to aggressively pursue adjacent markets to maximize growth opportunities.

Intellectual Property

We hold an exclusive, perpetual, irrevocable, worldwide, royalty-free and fully paid license to use the "Dyn International" and "DynCorp International" names in connection with aviation services, security services, technical services and marine services. We also own various licenses for names associated with Phoenix, Casals and Heliworks. Additionally, we own various registered domain names, patents, trademarks and copyrights. Since most of our business involves providing services to government entities, our operations generally are not substantially dependent upon obtaining and/or maintaining copyright, patents, or trademark protections, although our operations make use of such protections and benefit from them.

Environmental Matters

Our operations include the use, generation and disposal of petroleum products and other hazardous materials, including services such as painting aircraft and handling substances that may qualify as hazardous waste, such as used batteries and petroleum products. We are subject to various U.S. federal, state, local and foreign laws and regulations by which we must abide. These regulations relate to the protection of the environment, including those governing the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe and healthy workplace for our employees, contractors and visitors. We have written procedures in place and compliance programs related to environmental matters.

Employees

As of December 31, 2016 , we had approximately 10,700 personnel located in approximately 31 countries in which we have operations, of which approximately 4,200 are employees of our affiliates. Employees represented by labor unions totaled approximately 2,600 . We believe the working relations with our employees and our unions are in good standing.

ITEM 1A. *RISK FACTORS.*

The risks described below should be carefully considered, together with all of the other information contained in this Annual Report on Form 10-K, including Part II - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations. Any of the following risks could materially and adversely affect our financial condition, results of operations or cash flows.

We may not be able to generate sufficient cash to service all of our indebtedness, including the New Senior Credit Facility and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our New Senior Credit Facility requires us to use a portion of our Excess Cash Flow to make additional principal payments. Based on our annual financial results for the year ended December 31, 2016 we are required to make an additional principal payment of $25.1 million under the Excess Cash Flow requirement by April 5, 2017 .

Our New Senior Credit Facility also requires us to make a $22.5 million principal payment on the New Term Loan no later than June 15, 2017 , and a $22.5 million principal payment on the New Term Loan no later than June 15, 2018 , which amounts may be reduced as a result of the application of certain repayments, including our Excess Cash Flow payment. As a result of the additional principal payment of $25.1 million under the Excess Cash Flow requirement, we will not be required to make any additional principal payment on the New Term Loan for the June 15, 2017 $22.5 million principal payment requirement.

Our ability to make the $25.1 million Excess Cash Flow payment by April 5, 2017 and $22.5 million principal payment no later than June 15, 2018 depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to repay the New Senior Credit Facility by the principal due dates or to pay principal or interest on our other outstanding indebtedness.

If our cash flows and capital resources are insufficient to repay our New Senior Credit Facility by the principal due dates or to pay the principal and interest on our other outstanding indebtedness, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including the Indenture governing the New Notes and the credit agreements governing the New Senior Credit Facility and the Cerberus 3L Notes, may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our debt agreements contain, and the agreements governing any future indebtedness we incur may contain, various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the covenants in our New Senior Credit

Facility require us to maintain a leverage ratio below the maximum total leverage ratio and interest coverage above a minimum interest coverage ratio, and limit our capital expenditures. A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions under our Indenture and, in the case of our revolving credit facility, permit the Agent to cease making loans to us.

Upon the occurrence of an event of default under our New Senior Credit Facility that is not waived by the requisite lenders (including a failure to comply with our financial maintenance covenants) the lenders could elect to declare all amounts outstanding under the New Senior Credit Facility to be immediately due and payable and terminate all commitments to extend further credit, including issuing new letters of credit. This outcome would result in doubt in the Company's ability to continue as a going concern. If such actions were taken by the lenders under our New Senior Credit Facility, it would also cause an event of default under our New Notes and the Cerberus 3L Notes.

If we were unable to repay those amounts, the Agent under our New Senior Credit Facility could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our New Senior Credit Facility. If the Agent or lenders under the New Senior Credit Facility accelerate the repayment of borrowings, the proceeds from the sale or foreclosure upon such assets will first be used to repay debt under our New Senior Credit Facility, and we may not have sufficient assets to repay our secured and unsecured indebtedness thereafter, including our Senior Unsecured Notes, New Notes and the Cerberus 3L Notes.

Repayment of our debt, including the New Senior Credit Facility, New Notes and Cerberus 3L Notes, is dependent on cash flow generated by our subsidiaries.

Our subsidiaries own substantially all of our assets and conduct substantially all of our operations. Accordingly, repayment of our indebtedness, including the New Senior Credit Facility, New Notes and Cerberus 3L Notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the New Senior Credit Facility, New Notes or the Cerberus 3L Notes, our subsidiaries do not have any obligation to pay amounts due on the New Senior Credit Facility, New Notes and the Cerberus 3L Notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable DynCorp International Inc. to make payments in respect of its indebtedness, including the New Senior Credit Facility, New Notes and the Cerberus 3L Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from DynCorp International Inc.'s subsidiaries. While the Indenture governing the New Notes and the credit agreements governing the New Senior Credit Facility and the Cerberus 3L Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that DynCorp International Inc. does not receive distributions from its subsidiaries, DynCorp International Inc. may be unable to make required principal and interest payments on its indebtedness, including the New Senior Credit Facility, New Notes and the Cerberus 3L Notes.

Despite our high indebtedness level, we and our subsidiaries still may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our debt obligations contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

In addition to the $48.0 million which is available to us for borrowing under our revolving credit facility, the terms of our New Senior Credit Facility permit us to increase the amount available under our revolving credit facilities by up to an aggregate of $15 million if we are able to obtain loan commitments from a non-debt fund affiliate of Cerberus and satisfy certain other conditions, including our having capacity to incur such indebtedness under the Indenture governing our New Notes and the credit agreements governing the New Senior Credit Facility and the Cerberus 3L Notes. Additionally, we can take on more debt as long as we comply with the covenants in the Indenture governing the New Notes and the credit agreements governing the New Senior Credit Facility and the Cerberus 3L Notes. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we face would increase. In addition, the agreements governing our debt obligations do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our debt obligations.

As of December 31, 2016 , we are highly leveraged with our total carrying amount of indebtedness of approximately $650.9 million . We had $48.0 million available for borrowing under our revolving credit facility, and the terms of the New Senior Credit Facility permit us to increase the amount available under our revolving credit facilities by up to $15 million if we are able to obtain loan commitments from a non-debt fund affiliate of Cerberus and satisfy certain other conditions, including our having capacity to incur such indebtedness under the Indenture governing the New Notes and the credit agreement governing the Cerberus 3L Notes.

Our high degree of leverage could have important consequences including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow for other purposes, including for our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under our New Senior Credit Facility, are at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Our interest expense could increase if interest rates increase above the stated LIBOR floor levels in our New Senior Credit Facility because the entire amount of the indebtedness under our New Senior Credit Facility bears interest at a variable rate. At December 31, 2016 , we had approximately $207.4 million aggregate principal amount of variable rate indebtedness under our New Senior Credit Facility. A 100 basis point increase over the LIBOR floor levels would increase our annual interest expense by approximately $2.1 million .

Although we have received a commitment from Cerberus to fund the redemption of our $39.3 million principal amount of Senior Unsecured Notes on or before May 5, 2017, it is possible that we will not receive these funds.

The Company has received a support letter from Cerberus (the “Support Letter”) committing to fund the redemption of all outstanding Senior Unsecured Notes on or before May 5, 2017 with the proceeds of new equity or capital contributions (the “New Cerberus Financing”). The Support Letter is irrevocable and unconditional, except in the limited circumstances of a material adverse change in the operations, liabilities or financial condition of DynCorp International and its subsidiaries, taken as a whole, as a result of pending or threatened claims, litigation or judgments between the date of the Support Letter and May 5, 2017 in excess of any accruals or reserves reflected in the Company’s audited financial statements as of December 31, 2016 (the “Material Adverse Change Condition”). We have therefore sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions.

We agreed in the credit agreement governing the New Senior Credit Facility, the Indenture governing the New Notes and the Third Lien Credit Agreement that the $39.3 million principal amount to be repaid on the remaining Senior Unsecured Notes may only be paid with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility, the New Notes and the Cerberus 3L Notes (and we may not exchange any such remaining Senior Unsecured Notes into secured obligations of any kind). In addition, under the New Senior Credit Facility, any such new debt must mature after the maturity date of the New Term Loan, and under the Indenture and the Third Lien Credit Agreement, any such new debt must mature after the maturity date of the New Notes. In the event that we do not receive the New Cerberus Financing, we may not have the ability to obtain such new equity, capital contributions or new unsecured subordinated debt financing on terms that are acceptable to us, or at all. Accordingly, we may not be able to satisfy our obligations to repay amounts owed under the remaining Senior Unsecured Notes at their maturity unless we obtain new equity, capital contributions or subordinated debt financing or we are able to obtain waivers from the required lenders under the New Senior Credit Facility, majority holders of the New Notes and the lender under the Third Lien Credit Agreement.

On May 8, 2017, our New Senior Credit Facility will become due and payable unless the maturity date of all of the remaining Senior Unsecured Notes has been extended to a date on or after October 6, 2020 or the remaining Senior Unsecured Notes have been paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. In the event that we do not either refinance or receive outside contributions, we may be unable to make required scheduled debt service obligations. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in limited circumstances, the Company expects to complete the redemption before May 8, 2017, in which case the New Senior Credit Facility will not become due and payable on May 8, 2017. However, it is possible that the Company will not receive the New Cerberus Financing, such as if the Material Adverse Change Condition is triggered.

We rely on sales to U.S. government entities. A loss of contracts, a failure to obtain new contracts, a reduction of sales or award fees under existing contracts with the U.S. government or a decline or reprioritization of funding in the U.S. defense budget or delays in the budget process could adversely affect our operating performance and our ability to generate cash flow to fund our operations.

Our revenue is predominantly from contracts and subcontracts with the U.S. government and its agencies, primarily the DoD and the DoS. The remainder of our revenue is derived from commercial contracts, certain other U.S. federal, state and local government departments and agencies and contracts with foreign governments. We expect that U.S. government contracts, particularly with the DoD and the DoS, will continue to be our primary source of revenue for the foreseeable future. The continuation and renewal of our existing government contracts and new government contracts are, among other things, contingent upon the availability of adequate funding for various U.S. government agencies, including the DoD and the DoS. Changes in U.S. government spending could directly affect our operating performance and lead to an unexpected loss of revenue. The loss or significant reduction in government funding of a large program in which we participate could also result in a material decrease to our future projections of revenue, earnings and cash flows. U.S. government contracts are also conditioned upon the continuing approval by Congress of the amount of necessary spending. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract periods of performance may extend over many years. Consequently, at the beginning of a major program, the contract is usually partially funded, and additional monies are normally committed to the contract by the procuring agency only as appropriations are made by Congress for future fiscal years. U.S. government defense spending levels are difficult to predict. Among the factors that could impact U.S. government spending and reduce our U.S. government contracting business include:

- policy and/or spending changes implemented by the Trump administration, any subsequent administration or Congress;
- continued budget reductions in military spending imposed by Congress including sequestration;
- a continual decline in, or reapportioning of, spending by the U.S. government, in general, or by the DoD or the DoS, in particular;
- changes, delays or cancellations of U.S. government programs, requirements or policies;
- the adoption of new laws or regulations that affect companies that provide services to the U.S. government;
- U.S. government shutdowns or other delays in the government appropriations process, including any delays resulting from election cycles and changes in the administration or Congress;
- curtailment of the U.S. government's outsourcing of services to private contractors including the expansion of insourcing;
- changes in the political climate, including with regard to the funding or operation of the services we provide; and
- general economic conditions, including an economic slowdown or unstable economic conditions in the United States or in the countries in which we operate.

These or other factors could cause U.S. government agencies to reduce their purchases under our contracts, to exercise their right to terminate our contracts in whole or in part, to issue temporary stop-work orders or to decline to exercise options to renew our contracts. The loss or significant curtailment of our material government contracts, or our failure to renew existing contracts or enter into new contracts, could adversely affect our operating performance, lead to an unexpected loss of revenue and have a material adverse effect on our results of operations, financial condition or liquidity. Additionally, our ability to receive timely payments from prime contractors where we act as a subcontractor could affect our operating performance.

Our U.S. government contracts may be terminated by the U.S. government at any time prior to their completion and contain other unfavorable provisions, which could lead to an unexpected loss of revenue and a reduction in backlog.

Under the terms of our contracts, the U.S. government may unilaterally:

- terminate or modify existing contracts;
- reduce the value of existing contracts through partial termination;
- exercise their option periods and extend contracts that have unfavorable terms for us;
- delay or withhold the payment of our invoices by government payment offices;
- audit our contract-related costs and fees; and
- suspend us from receiving new contracts, pending the resolution of alleged violations of procurement laws or regulations.

The U.S. government can terminate or modify any of its contracts with us either for its convenience or if we default by failing to perform under the terms of the applicable contract. A termination could expose us to liability and adversely affect our operating performance and lead to an unexpected loss of revenue.

The nature of our business sometimes requires us to begin new work or extend work under an existing contract at the request of our customer before a formal contract or contract modification has been executed. It is common for our customers to issue change orders or modifications on our contingency operations based contracts because of the dynamic nature of the work performed on these contracts. These change orders or modifications can be more at risk for disagreements or delays that may lead to claims being filed as they take longer to definitize by their very nature. In such situations, we have a long history of successfully obtaining a formal contract or contract modification from our customer; however, work performed in such situations involves some risk that we may be unsuccessful in reaching a final agreement with our customer. In the event we are unsuccessful in reaching an agreement with our customer, we may be required to submit a request for equitable adjustment or a formal claim. These processes can take substantial time and may ultimately be unsuccessful in allowing us to bill and collect any associated fees earned on work performed in such situations, including base fees or award fees, which could result in lower revenue and could have a material effect on our financial condition and results of operations.

Our U.S. government contracts typically have an initial term of one year with multiple option periods, exercisable at the discretion of the U.S. government at previously negotiated prices. The U.S. government is not obligated to exercise any option period under a contract. The U.S. government can unilaterally exercise these option periods even if the terms are unfavorable to us. Furthermore, the U.S. government is typically required to recompete all programs and, therefore, may not automatically renew a contract. In addition, at the time of completion of any of our U.S. government contracts, the contract is frequently required to be re-competed if the U.S. government still requires the services covered by the contract.

If the U.S. government terminates and/or materially modifies any of our contracts or if option periods are not exercised, our failure to replace revenue generated from such contracts would result in lower revenue and backlog. In addition, if we are unsuccessful in obtaining contract modifications to remove unfavorable terms, the U.S. government could exercise option periods that extend such unfavorable contract terms, which could then result in declines in our earnings or contract losses. Any of these occurrences could adversely affect our earnings and have a material effect on our financial condition and results of operations.

Changes to our contracts could impact our future profitability.

Our consolidated operating income (loss) margin for the years ended December 31, 2016 and December 31, 2015 were 1.4% and (3.8)% , respectively. Within our portfolio of contracts, certain contracts vary from the consolidated operating income margin. For example, our loss contracts diminish our consolidated operating margin while other contracts have margins that are significantly higher than the consolidated operating income margin.

The significance of any one contract can change as our business expands or contracts. As contract modifications, contract extensions or other contract actions occur, the profitability of any one contract can significantly change and as a result, become more or less significant to the Company. As contracts are recompeted, the scope, scale or profitability or other contract elements of the new contract could materially differ from the original contract. Any such changes or the addition of new loss contracts or negative changes to profitable contracts could adversely affect our operating performance and may result in additional expenses or loss of revenue.

Our U.S. government contracts are subject to competitive bidding, both upon initial issuance and re-competition. If we are unable to successfully compete in the bidding process or if we fail to win re-competitions, it could adversely affect our operating performance and lead to an unexpected loss of revenue.

Substantially all of our U.S. government contracts are awarded through a competitive bidding process upon initial award and renewal, and we expect that this will continue to be the case. There is often significant competition and pricing pressure as a result of this process. The competitive bidding process presents a number of risks, including the following:

- we may expend substantial funds and time to prepare bids and proposals for contracts that may ultimately be awarded to one of our competitors;
- we may be unable to accurately estimate the resources and costs that will be required to perform any contract we are awarded, which could result in substantial cost overruns;
- we may encounter expense and delay if our competitors protest or challenge awards of contracts, and any such protest or challenge could result in a requirement to resubmit bids on modified specifications or in the termination, reduction or modification of the awarded contract. Additionally, the protest of contracts awarded to us may result in the delay of program performance and the generation of revenue while the protest is pending; and
- if we are not given the opportunity to re-compete for U.S. government contracts previously awarded to us, we may incur expenses to protect such decision and ultimately may not succeed in competing for or winning such contract renewal.

The U.S. government contracts for which we compete typically have multiple option periods, and if we fail to win a contract or a task order, we generally will be unable to compete again for that contract for several years. If we fail to win new contracts or to receive renewal contracts upon re-competition, it may result in additional costs and expenses and possible loss of revenue, and we will not have an opportunity to compete for these contract opportunities again until such contracts expire.

Because of the nature of our business, it is not unusual for us to lose contracts to competitors or to gain contracts once held by competitors during re-compete periods. For a discussion of the recent events related to the recompete for the INL Air Wing contract, see “Item 1. Business-Key Contracts -- Bureau for International Narcotics and Law Enforcement Affairs, Office of Aviation ("INL Air Wing").”

Additionally, some contracts simply end as projects are completed or funding is terminated. We have included our most significant contracts by reportable segment in our key contract table under the heading "Business." Contract end dates are included within the tables to better inform interested parties, security analysts and institutional investors in reviewing the potential impact on our most significant contracts for this risk.

Our IDIQ contracts are not firm orders for services, and we may never receive revenue from these contracts, which could adversely affect our operating performance.

Many of our government contracts are IDIQ contracts, which are often awarded to multiple contractors. The award of an IDIQ contract does not represent a firm order for services. Generally, under an IDIQ contract, the government is not obligated to order a minimum of services or supplies from its contractor, irrespective of the total estimated contract value. Furthermore, under an IDIQ contract, the customer develops requirements for task orders that are competitively bid against all of the contract awardees, usually under a best-value approach. However, many contracts also permit the government customer to direct work to a specific contractor. We may not win new task orders under these contracts for various reasons, such as failing to rapidly deploy personnel or high prices, which would have an adverse effect on our operating performance and may result in additional expenses and loss of revenue. There can be no assurance that our existing IDIQ contracts will result in actual revenue during any particular period or at all.

Our cost of performing under time-and-materials and fixed-price contracts may exceed our revenue, which would result in a recorded loss on the contracts.

Our government contract services have three distinct pricing structures: cost-reimbursement, time-and-materials and fixed-price. With cost-reimbursement contracts, so long as actual costs incurred are within the contract funding and allowable under the terms of the contract, we are entitled to reimbursement of the costs plus a stipulated fixed-fee and, in some cases, an incentive-based award fee. We assume additional financial risk on time-and-materials and fixed-price contracts, because of the stipulated prices or negotiated hourly/daily rates. As such, if we do not accurately estimate ultimate costs and control costs during performance of the work, we could lose money on a particular contract or have lower than anticipated margins. Also, we assume the risk of damage or loss to government property, and we are responsible for third-party claims under fixed-price contracts. The failure to meet contractually defined performance standards may result in a loss of a particular contract or lower-than-anticipated margins. This could adversely affect our operating performance and may result in additional costs and possible loss of revenue.

We are subject to investigation by government agencies, which could result in our inability to receive government contracts and could adversely affect our future operating performance.

As a U.S. government contractor operating domestically and internationally, we must comply with laws and regulations relating to U.S. government contracting, as well as domestic and international laws. From time to time, we are investigated by government agencies with respect to our compliance with these laws and regulations. If we are found to be in violation of the law, we may be subject to civil or criminal penalties or administrative sanctions, including contract termination, the assessment of penalties and suspension or prohibition from doing business with U.S. government agencies. For example, many of the contracts we perform in the U.S. are subject to the Service Contract Act, which requires hourly employees to be paid certain specified wages and benefits. If the U.S. Department of Labor determines that we violated the Service Contract Act or its implemented regulations, we could be suspended from being awarded new government contracts or renewals of existing contracts for a period of time, which could adversely affect our future operating performance. We are subject to a greater risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities than companies with solely commercial customers. In addition, if an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government.

Furthermore, our reputation could suffer serious harm if allegations of impropriety were made against us. If we were suspended or prohibited from contracting with the U.S. government, or any significant U.S. government agency, if our reputation or relationship with U.S. government agencies was impaired or if the U.S. government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, it could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

U.S. government contractors like us that provide support services in theaters of conflict such as Iraq and Afghanistan have come under increased oversight by the agency of inspectors general, government auditors and congressional committees. Investigations pursued by any or all of these groups may result in adverse publicity for us and consequent reputational harm, regardless of the underlying merit of the allegations being investigated. As a matter of general policy, we have cooperated and expect to continue to cooperate with government inquiries of this nature.

A negative audit or other actions by the U.S. government could adversely affect our operating performance.

At any given time, many of our contracts are under review by the DCAA, the DCMA and other government agencies. These agencies review our contract performance, cost structure, and/or compliance with applicable laws, regulations and standards. Such agency audits may include contracts under which we have performed services in Iraq and Afghanistan under especially demanding circumstances.

The government agencies also review the adequacy of, and our compliance with, our internal control systems and policies, including our Accounting, Purchasing, Property, Estimating, Earned Value Management and Material Management System.

Given the continued oversight by the U.S. government, we could be subjected to additional regulatory requirements which could require additional audits at various points within our contracting process. An adverse finding under an audit could result in a recommendation of disallowed costs under a U.S. contract, termination of a U.S. government contract, forfeiture of profits, suspension or a withhold of payments which could negatively impact our liquidity position and affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government. See Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Economic conditions could impact our business.

Our business may be adversely affected by factors in the U.S. and other countries that are beyond our control, such as disruptions in the financial markets or downturns in the economic activity in specific countries or regions, or in the various industries in which we operate. These factors could have an adverse impact in the availability of capital and cost of capital, interest rates, tax rates, or regulations in certain jurisdictions. If for any reason we lose access to our currently available lines of credit, or if we are required to raise additional capital, we may be unable to do so in the current credit and stock market environment, or we may be able to do so only on unfavorable terms. Adverse changes to financial conditions could jeopardize certain counterparty obligations, including those of our insurers and financial institutions.

In particular, if the U.S. government, due to budgetary considerations, fails to sustain the troops in Afghanistan, continues to reduce the DoD Operations and Maintenance budget or reduces funding for DoS initiatives in which we participate, or if a government shutdown occurs, our business, financial condition and results of operations could be adversely affected. Appropriations can also be affected by legislation that addresses larger budgetary issues of the U.S. government, including sequestration.

A credit crisis, further tightening of credit or our lenders' views concerning the outlook of our business could adversely affect our ability to obtain additional liquidity or refinance existing or future indebtedness on acceptable terms or at all, which could adversely affect our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for additional discussion regarding liquidity.

Our operations involve considerable risks and hazards. An accident or incident involving our employees or third parties could harm our reputation, affect our ability to compete for business, and if not adequately insured or indemnified, could adversely affect our results of operations and financial condition.

We are exposed to liabilities that arise from the services we provide. Such liabilities may relate to an accident or incident involving our employees or third parties, particularly where we are deployed on-site at active military installations or in locations experiencing political or civil unrest, or they may relate to an accident or incident involving aircraft or other equipment we have serviced or used in the course of our business. Any of these types of accidents or incidents could involve significant potential claims of injured employees and other third parties and claims relating to loss of or damage to government or third-party property.

We maintain insurance policies that mitigate risk and potential liabilities related to our operations. Our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. Substantial claims in excess of our related insurance coverage could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Furthermore, any accident or incident for which we are liable, even if fully insured, may result in negative publicity which could adversely affect our reputation among our customers, including our government customers, and the public, which could result in the loss of existing and future contracts or make it more difficult to compete effectively for future contracts. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Political destabilization or insurgency in the regions in which we operate may have a material adverse effect on our operating performance.

Certain regions in which we operate are highly unstable. Insurgent activities in the areas in which we operate may cause further destabilization in these regions. There can be no assurance that the regions in which we operate will continue to be stable enough to allow us to operate profitably or at all. Insurgents in Iraq and Afghanistan have targeted installations where we have personnel, and these insurgents have contributed to instability in these countries. This could impair our ability to attract and deploy personnel to perform services in either or both locations. In addition, we may be required to increase compensation to our personnel as an incentive to deploy them to these regions. Historically we have been able to recover this added cost under our contracts, but there is no guarantee that future increases, if required, will be able to be transferred to our customers through our contracts. To the extent that we are unable to transfer such increased compensation costs to our customers, our operating margins would be adversely impacted, which could adversely affect our operating performance.

In addition, increased insurgent activities or destabilization, including civil unrest or a civil war in Iraq or Afghanistan, may lead to a determination by the U.S. government to halt or substantially reduce our operations in a particular location, country or region and to perform the services using military personnel. Furthermore, in extreme circumstances, the U.S. government may decide to terminate all or substantially reduce U.S. government activities, including our operations under U.S. government contracts in a particular location, country or region and to withdraw all or a substantial number of military personnel. Congressional pressure to reduce, if not eliminate, the number of U.S. troops in Afghanistan may also lead to U.S. government procurement actions that reduce or terminate the services and support we provide in that theater of conflict. Any of the foregoing could adversely affect our operating performance and may result in additional costs and loss of revenue.

We are exposed to risks associated with operating internationally.

A large portion of our business is conducted internationally. Consequently, we are subject to a variety of risks that are specific to international operations, including the following:

- export controls regulations that could erode profit margins or restrict exports;
- compliance with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act; and other international anti-corruption laws
- the burden and cost of compliance with foreign laws, treaties and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- foreign currency fluctuations;
- potential claims filed in foreign courts and judicial systems;
- foreign adjustments associated with uncertain tax benefits;
- import and export duties and value added taxes;
- transportation delays and interruptions;
- uncertainties arising from foreign local business practices and cultural considerations;
- requirements by foreign governments that we locally invest a minimum level as part of our contracts with them, which may not yield any return;
- potential military conflicts, civil strife and political risks; and
- embargoes.

We cannot ensure our current adopted measures will reduce the potential impact of losses resulting from the risks of our foreign business.

Catastrophic events may disrupt our business and have an adverse effect on our results of operations.

A disruption, infiltration or failure of network, application systems or third-party hosted services in the event of a major earthquake, hurricane, fire, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, terrorist attack or other catastrophic event could cause system interruptions, reputational harm, loss of intellectual property, delays in our ability to provide service to our customers, lengthy interruptions in our services, breaches of data security and loss of critical data and could prevent us from fulfilling our customers' orders, which could result in reduced revenue.

Our business could be negatively impacted by security threats, including physical and cyber security threats, and other disruptions.

As a defense contractor, we face both physical and cyber security threats to our sensitive systems and information. Although we utilize a variety of technical and administrative controls to mitigate and detect threats, there can be no assurance that these controls will be sufficient to prevent a threat from materializing. Threats to our physical security, were they to manifest, could result in degradation or disruption of business operations. These effects could be attributed to, although not exclusively, loss of staff, reduction in staff productivity, and/or loss or damage to facilities. Cyber security threats are constantly evolving, and our industry is frequently targeted by cyber security threats. We utilize a variety of mechanisms and controls to adapt to potential threats; however, the variety and constant change of these threats leaves the impact unpredictable. Were a significant incident to occur, it could lead to loss of confidentiality, integrity, and/or availability of information or systems, harm to personnel or infrastructure, and/or damage to our reputation. Such an incident could result in material impact on our business operations and strategies, current or future financial position, and/or cash flows.

Government withholding regulations could adversely affect our operating performance.

The DoD issued the final DFARS rule in 2012 which allows withholding of a percentage of payments when a contractor's business system has one or more significant deficiencies. The DFARS rule applies to Cost Accounting Standards ("CAS") covered contracts that have the DFARS clause in the contract terms and conditions. Contracting officers may withhold 5% of contract payments for one or more significant deficiencies in any single contractor business system or up 10% of contract payments for significant deficiencies in multiple contractor business systems. A significant deficiency is defined as a "shortcoming in the system that materially affects the ability of officials of the DoD to rely upon information produced by the system that is needed for management purposes." The final rule was applicable to new DoD contracts awarded after February 2012.

Proceedings against us in domestic and foreign courts could result in legal costs and adverse monetary judgments, adversely affecting our operating performance and causing harm to our reputation.

We are involved in various domestic and foreign claims and lawsuits from time to time. In the event that a court decides against us, in these lawsuits, and we are unable to obtain indemnification from the U.S. government, or contributions from the other defendants, we may incur substantial costs, which could have a significant impact on our results of operations. Many uncertainties exist surrounding foreign litigations and claims. We continue to assess such claims as they are made, however, it is not possible to determine the ultimate outcome. An adverse ruling in these cases could also adversely affect our reputation and have a material adverse effect on our ability to win future government contracts.

Other litigation in which we are involved includes wrongful termination and other adverse employment actions, breach of contract, personal injury and property damage actions filed by third parties. Actions involving third-party liability claims generally are covered by insurance; however, in the event our insurance coverage is inadequate to cover such claims, we will be forced to bear the costs arising from a judgment. We do not have insurance coverage for breach of contract actions, and we bear all costs associated with such litigation and claims. See Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We are subject to certain U.S. laws and regulations, which are the subject of rigorous enforcement by the U.S. government; our noncompliance with such laws and regulations could adversely affect our future operating performance.

We may be subject to qui tam litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status could significantly reduce our future revenue and profits.

To the extent that we export products, technical data and services outside the United States, we are subject to U.S. laws and regulations governing international trade and exports, including but not limited to, the International Traffic in Arms Regulations, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the Department of the Treasury. Failure to comply with these laws and regulations could result in civil and/or criminal sanctions, including the imposition of fines upon us as well as the denial of export privileges and debarment from participation in U.S. government contracts.

We do business in certain parts of the world that have experienced, or may be susceptible to, governmental corruption. Our corporate policy requires strict compliance with the U.S. Foreign Corrupt Practices Act, UK Bribery Act and with local laws prohibiting payments to government officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment. Improper actions by our employees or agents could subject us to civil or criminal penalties, including substantial monetary fines, as well as disgorgement, and could damage our reputation and, therefore, our ability to do business.

Environmental laws and regulations may subject us to significant costs and liabilities that could adversely affect our operating performance.

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the U.S., these laws and regulations include those governing the management and disposal of hazardous substances and wastes, the maintenance of a safe workplace and painting aircraft and handling substances such as used batteries and petroleum products. In addition to U.S. federal laws and regulations, states and other countries where we do business have numerous environmental, legal and regulatory requirements by which we must abide. We could incur substantial costs, including clean-up costs, as a result of violations of, or liabilities under, environmental laws.

Our business and results of operations could be adversely affected by the passage of U.S. health care reform and other environmental legislation and regulations. We are continually assessing the impact that health care reform could have on our employer-sponsored medical plans. Growing concerns about climate change may result in the imposition of additional environmental regulations. For example, legislation, international protocols, regulation or other restrictions on emissions could increase the costs of projects for our customers or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services.

All of these factors could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

The expiration of our collective bargaining agreements could result in increased operating costs or work disruptions, which could potentially affect our operating performance.

As of December 31, 2016 , we had approximately 10,700 personnel, of which approximately 4,200 are employees of our affiliates. Employees represented by labor unions totaled approximately 2,600 . As of December 31, 2016 , we had approximately 28 collective bargaining agreements with these unions. The length of these agreements varies, with the longest expiring in September 2021 . There can be no assurance that we will not experience labor disruptions associated with the expiration or renegotiation of collective bargaining agreements or otherwise. We could experience a significant disruption of operations and increased operating costs as a result of higher wages or benefits paid to union members, which could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

If we experience loss of our skilled personnel, including members of senior management, it may have an adverse effect on our operations and/or our operating performance.

Our continued success depends in large part on our ability to recruit and retain the skilled personnel necessary to serve our customers effectively, including personnel with extensive military and law enforcement training and backgrounds. The proper execution of our contract objectives depends upon the availability of quality resources, especially qualified personnel. Given the nature of our business, we have substantial need for personnel who are willing to work overseas, frequently in locations experiencing political or civil unrest, for extended periods of time and often on short notice. We may not be able to meet the need for qualified personnel as such need arises.

We have experienced, and may experience in the future, changes in our management team. We have also taken measures to reduce our cost structure, including the elimination of a number of executive levels and other management positions throughout the Company. Our senior management changes, cost containment measures, as well as the potential for additional changes or activities in the future, may result in disruption of our business or our customer relationships, distract our employees, decrease employee morale and result in failure in meeting operational targets due to the loss of employees. These changes could also make it difficult to retain and hire new talent, increase our expenses in terms of severance payments and facility exit costs, both of which could be significant, expose us to increased risk of legal claims by terminated employees, and harm our reputation. If we are unable to mitigate these or other similar risks, our business, results of operations, and financial condition may be adversely affected.

In addition, we must comply with provisions in U.S. government contracts that require employment of persons with specified work experience and security clearances. An inability to maintain employees with the required security clearances could have a significant impact on our ability to win new business and satisfy our existing contractual obligations, which could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

If our subcontractors or joint venture partners fail to perform their contractual obligations, then our performance as the prime contractor and our ability to obtain future business could be materially and adversely impacted.

Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. These subcontractors generally perform niche or specialty services for which they have more direct experience, such as construction, catering services or specialized technical services. These subcontractors have local knowledge of the region in which we will be performing along with the ability to communicate with local nationals and assist in making arrangements for commencement of performance. Often, we enter into subcontract arrangements in order to meet government requirements to award certain categories of services to small businesses. A failure by one or more of our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. Such subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

We often enter into joint ventures so that we can jointly bid and perform on a particular project. The success of these and other joint ventures depends, in large part, on the satisfactory performance of the contractual obligations by our joint venture partners. If our partners do not meet their obligations, the joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services or we may be subject to other liabilities. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

We are controlled by Cerberus Capital Management, L.P. and affiliates ("Cerberus"), who will be able to make important decisions affecting our business.

All of our common stock is indirectly owned by funds and/or managed accounts that are affiliates of Cerberus. As a result, Cerberus is entitled to elect all of our directors, to appoint new management and to approve actions requiring the approval of the holders of our capital stock, including adopting amendments to our certificate of incorporation and approving mergers or sales of substantially all of our assets. Several members of our Board of Directors are affiliated with Cerberus or are Cerberus Operations and Advisory Company, LLC ("COAC") employees. We also have two executives who are COAC employees, who are seconded to us: Gregory S. Nixon, our Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary, and George C. Krivo, our Senior Vice President and Chief Operating Officer.

The interests of Cerberus and its affiliates may differ from those of our other investors. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, Cerberus and its affiliates, as equity holders, may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks. Additionally, our debt agreements permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Cerberus may have an interest in our doing so.

We may compete with, or enter into transactions with, entities in which our controlling stockholder may hold a substantial interest.

Cerberus is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us. Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to us as well as to Cerberus or its affiliates, including through potential acquisitions of competing businesses. Competition may intensify if an affiliate or subsidiary of Cerberus were to enter into or possibly acquire a business similar to ours. In the event that such a transaction happens, Cerberus is under no obligation to communicate or offer such corporate opportunity to us, even if such opportunity might reasonably have been expected to be of interest to us or our subsidiaries.

We may make future investments, which would include co-investment or joint venture arrangements with our affiliates. We may also enter into business combinations and/or collaborate with and invest in other firms or entities, including Cerberus. You should consider that the interests of Cerberus may differ from yours in material respects.

Our Global Advisory Group may not succeed in helping us sell services in new markets and diversify our customer base.

In order to sell our services in new geographic markets and diversify our customer base beyond our traditional customers, we formed the Global Advisory Group to locate new business opportunities. There can be no assurance we will realize the expected benefits of the Global Advisory Group or be successful in new markets in the near-term or at all. Difficulties concentrating on new markets could limit our growth and could harm our results of operations. See "Item 1. Business-Sales and Marketing." In addition, the focus of the Global Advisory Group on services for foreign governments and commercial customers could further expose us to international risks. See "-We are exposed to risks associated with operating internationally" and "-We are subject to certain U.S. laws and regulations, which are the subject of rigorous enforcement by the U.S. government; our noncompliance with such laws and regulations could adversely affect our future operating performance."

Competition in our industry could limit our ability to attract and retain customers or employees, which could result in a loss of revenue and/or a reduction in margins, which could adversely affect our operating performance.

We compete with various entities across geographic and business lines. Competitors of our operating segments are typically various solution providers that compete in any one of the service areas provided by those business units. Additionally, competitors of our operating segments are typically large defense service contractors that offer services associated with maintenance, training and other activities.

We compete based on a number of factors, including our broad range of services, geographic reach, mobility and response time. Foreign competitors may obtain an advantage over us in competing for U.S. government contracts and attracting employees. We are required by U.S. laws and regulations to remit to the U.S. government statutory payroll withholding amounts for U.S. nationals working on U.S. government contracts while employed by our majority-owned foreign subsidiaries. Foreign competitors may not be similarly obligated by their governments.

Some of our competitors may have greater resources or are otherwise better positioned to compete for contract opportunities. For example, original equipment manufacturers that also provide aftermarket support services have a distinct advantage in obtaining service contracts for aircraft they have manufactured, as they frequently have better access to replacement and service parts, as well as an existing technical understanding of the platform they have manufactured. In addition, we are at a disadvantage when bidding for contracts up for re-competition for which we are not the incumbent provider, because incumbent providers are frequently able to capitalize on customer relationships, technical knowledge and pricing experience gained from their prior service.

In addition to the competition we face in bidding for contracts and task orders, we must also compete to attract the skilled and experienced personnel integral to our continued operations. We hire from a limited pool of potential employees as military and law enforcement experience, specialized technical skill sets and security clearances are prerequisites for many positions. Our failure to compete effectively for employees, or excessive attrition among our skilled personnel, could reduce our ability to satisfy our customers' needs and increase the costs and time required to perform our contractual obligations. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Changes in, or interpretations of, accounting principles could have a significant impact on our financial position and results of operations.

We prepare our Consolidated Financial Statements in accordance with GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions.

Future restatement of our financial statements could adversely affect our business.

Restatement of our financial statements could have adverse consequences on our business, financial condition, cash flows and results of operations, including the triggering of an event of default under the credit agreements governing the New Senior Credit Facility and the Cerberus 3L Notes and the indenture governing our New Notes. Restatements could cause our credit rating to be downgraded, which could result in an increase in our borrowing costs and make it more difficult to borrow funds on reasonable terms or at all. In addition, restatements could result in key executives departing and SEC enforcement action.

We use estimates when accounting for contracts. Changes in estimates could affect our profitability and our overall financial position.

When agreeing to contractual terms, we make assumptions and projections about future conditions and events, many of which extend over a period of time. These assumptions and projections assess the cost, productivity and availability of labor, future levels of business base, complexity of the work to be performed, cost and availability of materials, impact of potential delays in performance and timing of product deliveries. Contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is subject to many variables. Incentives, awards or penalties related to performance on contracts are considered in estimating revenue and profit rates, and are recorded when there is sufficient information to assess anticipated performance. Suppliers' assertions are also assessed and considered in estimating costs and profit rates.

Because of the significance of the judgment and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may have a material impact on the profitability of one or more of the affected contracts and our performance. See Critical Accounting Policies within "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion.

Goodwill and other intangible assets represent significant assets on our balance sheet and have been significantly impaired and may continue to be impaired.

Goodwill and other intangible assets are significant assets on our balance sheet, with an aggregate balance of $42.1 million and $84.1 million , respectively, as of December 31, 2016 . We assess goodwill and other intangible assets with indefinite lives for impairment annually in October and when an event occurs or circumstances change that would suggest a triggering event. If a triggering event is identified, a step one assessment is performed to identify any possible impairment in the period in which the event is identified. The annual impairment test requires us to determine the fair value of our reporting units in comparison to their carrying values. A decline in the estimated fair value of a reporting unit or asset group could result in an impairment, and a related non-cash impairment charge against earnings, if estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit.

As we continue to face challenges within the defense industry, we could experience unforeseen issues which adversely affect the value of our goodwill or intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets. Future determinations of significant write-offs of goodwill or intangible assets as a result of an impairment test or any accelerated amortization of other intangible assets could have a negative impact on our results of operations and financial condition. See Note 3 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability and cash flow.

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Furthermore, changes in applicable domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain sales or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. Deferred tax assets are required to be measured at the statutory tax rate currently in effect, therefore a change in the U.S. corporate tax rate would result in a remeasurement of our net deferred tax asset through the income tax provision. The final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in our tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, changes in differences between financial reporting income and taxable income, the results of audits and the examination of previously filed tax returns by taxing authorities and continuing assessments of our tax exposures could impact our tax liabilities and significantly affect our income tax expense, profitability and cash flow.

Acquisition and divestiture related transactions require substantial management resources and may disrupt our business and divert our management from other responsibilities. Acquisitions and divestitures are accompanied by other risks, including:

- the difficulty of integrating or disaggregating the operations and personnel of the acquired or divested companies;
- the inability of our management to maximize our financial and strategic position by the successful incorporation or dissolution of acquired or divested personnel into our programs;
- we may not realize anticipated synergies or financial growth;
- we may assume material liabilities that were not identified during due diligence, including potential regulatory penalties resulting from the acquisition or divested target's previous activities;
- difficulty maintaining uniform standards, controls, procedures and policies, with respect to accounting matters and otherwise;
- the potential loss or retention of key employees of acquired or divested companies;
- the impairment of relationships with employees and customers as a result of changes in management and operational structure; and
- acquisitions or divestitures may require us to invest significant amounts of cash resulting in dilution of stockholder value.

Any inability to successfully integrate or disaggregate the operations and personnel associated with an acquired or divested business and/or service line may harm our business and results of operations.

If we fail to manage acquisitions, divestitures, and other transactions successfully, our financial results, business, and future prospects could be harmed.

In pursuing our business strategy, we routinely conduct discussions, evaluate targets, and enter into agreements regarding possible acquisitions, divestitures, joint ventures, and equity investments. We seek to identify acquisition or investment opportunities that will expand or complement our existing services, or customer base, at attractive valuations. We often compete with others for the same opportunities. To be successful, we must conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete and close complex transactions, and manage post-closing matters (e.g., integrate acquired companies and employees, realize anticipated operating synergies, and improve margins) efficiently and effectively. Acquisition, divestiture, joint venture, and investment transactions often require substantial management resources and could have the potential to divert our attention from our existing business. Additionally, unidentified pre-closing liabilities could affect our future financial results.

The adoption of the Long-Term Cash Incentive Bonus Plan could substantially increase the cost to acquire the Company or prevent or delay a change in control.

On December 17, 2013, DynCorp International LLC approved a long-term cash incentive plan for certain executives, where in the event of a change in control, subject to the executives' continued employment with DynCorp International LLC through such a change in control and execution of a restrictive covenant agreement within fourteen days of receipt of such agreement, the executive shall be eligible to receive a cash incentive bonus.

A change in control, as defined in the long-term cash incentive plan, would occur if a person who is not Cerberus or an affiliate of Cerberus becomes beneficial owner, directly or indirectly, of more than 50% of the combined voting power of issued and outstanding securities of DynCorp International LLC or if there is a reduction in Cerberus's beneficial ownership to less than 30% of the combined voting power. There are other conditions that could result in a change in control event such as a sale or transfer or other disposition of all or substantially all of the business and assets of DynCorp International LLC. The long-term cash incentive bonus plan could increase the cost to acquire the Company and prevent or delay a change in control.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS.***

None.

ITEM 2. ***PROPERTIES.***

We are headquartered in McLean, Virginia with major administrative offices in Fort Worth, Texas. As of December 31, 2016 , we leased approximately 35 commercial facilities in 15 countries used in connection with the various services rendered to our customers. Lease expirations range from month-to-month to eight years. Upon expiration of our leases, we do not anticipate any difficulty in obtaining renewals or alternative space. Many of our current leases are non-cancelable. We do not own any real property.

The following locations represent our primary leased properties as of December 31, 2016 :

Location	Description	Segment	Size (sq ft) [1]
Fort Worth, TX [(2)]	Executive offices - Finance and Administration, AELS Headquarters	Headquarters & AELS	218,925
Salalah Port, Oman	Warehouse and storage - WRM II Program	DynLogistics	125,000
McLean, VA	Executive offices - Headquarters	Headquarters	79,035
Lorton, VA	Warehouse and offices - Global IT Modernization ("GITM") Program	DynLogistics	30,560
Palm Shores, FL	Offices - INL Air Wing Program	AOLC	27,215
McClellan, CA	Warehouse - California Fire Program	AELS	18,800
Dubai, UAE	Executive offices - DIFZ Finance and Administration	Headquarters	17,698
Huntsville, AL	Business office - AOLC Headquarters	AOLC	17,074
Bangalore, India	Business office - Finance and Administration	Headquarters	16,467

(1) Includes total square footage leased per agreements between the Company and lessors.

(2) Includes 153,475 square feet utilized for Executive Offices and 65,450 square feet which we have subleased or are in the process of subleasing.

We believe that substantially all of our property and equipment is in good condition, subject to normal use, and that our facilities have sufficient capacity to meet the current and projected needs of our business through calendar year 2017 .

ITEM 3. ***LEGAL PROCEEDINGS.***

Information required with respect to this item is set forth in Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 4. ***MINE SAFETY DISCLOSURES.***

Not applicable.

PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.***

Not applicable **.**

ITEM 6. *SELECTED FINANCIAL DATA.*

The selected historical consolidated financial data for the years ended December 31, 2016 , December 31, 2015 , December 31, 2014 , December 31, 2013 and December 31, 2012 is presented in the table below.

This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes thereto, included elsewhere in this Annual Report on Form 10-K.

(Amounts in thousands)	Delta Tucker Holdings, Inc. For the years ended December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Results of operations:					
Revenue	$ 1,836,154	$ 1,923,177	$ 2,252,309	$ 3,287,184	$ 4,044,275
Cost of services	(1,636,331)	(1,721,679)	(2,072,865)	(2,987,253)	(3,698,932)
Selling, general and administrative expenses	(139,531)	(144,675)	(146,881)	(149,925)	(149,362)
Depreciation and amortization	(34,889)	(34,986)	(48,582)	(48,628)	(50,260)
Earnings from equity method investees	1,066	140	10,077	4,570	825
Impairment of goodwill, intangibles and long lived assets (1)	(1,782)	(96,696)	(214,004)	(312,728)	(50,663)
Operating income (loss)	24,687	(74,719)	(219,946)	(206,780)	95,883
Interest expense	(72,361)	(68,824)	(70,783)	(78,826)	(86,272)
Loss on early extinguishment of debt, net	(328)	—	(1,362)	(703)	(2,094)
Interest income	212	110	221	157	117
Other income (expense), net	4,935	3,968	3,680	(810)	4,672
(Provision) benefit for income taxes	(10,138)	8,672	20,570	37,461	(15,598)
Net loss	(52,993)	(130,793)	(267,620)	(249,501)	(3,292)
Noncontrolling interests	(1,071)	(1,809)	(2,160)	(4,235)	(5,645)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (54,064)	$ (132,602)	$ (269,780)	$ (253,736)	$ (8,937)
Cash flow data:					
Net cash provided by operating activities	41,153	19,572	25,377	137,502	144,190
Net cash used in investing activities	(16,940)	(2,735)	(4,674)	(7,971)	(12,163)
Net cash used in financing activities	(14,777)	(2,059)	(97,544)	(77,461)	(83,457)
Balance sheet data (end of period):					
Cash and cash equivalents	118,218	108,782	94,004	170,845	118,775
Total assets	676,537	784,689	982,487	1,499,921	1,970,716
Total indebtedness	632,456	637,031	642,272	732,272	782,909
Total (deficit) equity attributable to Delta Tucker Holdings, Inc.	(267,392)	(213,962)	(82,766)	183,785	437,542
Total (deficit) equity	(261,937)	(208,170)	(77,277)	189,660	445,754
Other financial data:					
Purchases of property and equipment and software	7,980	4,734	10,343	10,346	8,118
Backlog (2)	3,716,000	3,042,000	3,331,000	3,980,000	5,278,000

(1) The Company recorded impairment charges of $1.8 million , $96.7 million , $214.0 million , $312.7 million and $50.7 million for the years ended December 31, 2016 , December 31, 2015 , December 31, 2014 , December 31, 2013 , and December 31, 2012 , respectively. The impairment charge for the year ended December 31, 2016 related to our investment in affiliates. Of the $96.7 million recorded in 2015, $86.8 million related to goodwill, $5.2 million related to certain intangibles and indefinite-lived tradename and $4.7 million related to assets held for sale. Of the $214.0 million recorded in 2014, $164.9 million related to goodwill, $33.4 million related to customer-relationship intangibles, $14.5 million related to indefinite-lived tradename, $1.0 million related to helicopters and $0.2 million related to software. Of the $312.7 million recorded in 2013, $310.3 million was related to goodwill and $2.4 million was related to helicopters. The impairment charges for the year ended December 31, 2012 primarily related to goodwill. See Note 3 to Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

(2) Backlog data is as of the end of the applicable period. See "Item 1. Business" for further details concerning backlog.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the Delta Tucker Holdings, Inc. consolidated financial statements and related notes thereto and other data contained elsewhere in this Annual Report on Form 10-K. Please see "Item 1A. Risk Factors" and "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions associated with these statements. Unless otherwise noted, all amounts discussed herein are consolidated. All references in this Annual Report on Form 10-K to fiscal years of the United States government pertain to their fiscal year, which ends on September 30th of each year.

Company Overview

We are a leading global services provider offering unique, tailored solutions for an ever-changing world. Built on approximately seven decades of experience as a trusted partner to commercial, government and military customers, we provide sophisticated aviation solutions, law enforcement training and support, base and logistics operations, intelligence training, rule of law development, construction management, international development, ground vehicle support, counter-narcotics aviation, platform services and operations and linguist services. Our current customers include the U.S. Department of Defense ("DoD"), the Department of State ("DoS"), the U.S. Agency for International Development ("USAID"), foreign governments, commercial customers and certain other U.S. federal, state and local government departments and agencies.

Delta Tucker Holdings, Inc. was formed for the purpose of acquiring DynCorp International Inc. ("DynCorp International") and had immaterial assets and virtually no operations prior to the merger on July 7, 2010, except for the costs associated with acquiring DynCorp International. Delta Tucker Holdings, Inc. remains the holding company of DynCorp International. DynCorp International wholly owns DynCorp International LLC, which functions as the operating company.

In October 2016, the Company amended its organizational structure. The Company’s previous two operating and reporting segments, DynAviation and DynLogistics, were re-aligned into three operating and reporting segments: Aviation Engineering, Logistics, and Sustainment ("AELS"), Aviation Operations and Life Cycle Management ("AOLC") and DynLogistics. AELS, AOLC and DynLogistics segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations ("FAR"), Cost Accounting Standards ("CAS") and audits by various U.S. federal agencies.

As of December 31, 2016 , we employed or managed approximately 10,700 personnel, including approximately 4,200 personnel from our affiliates. We operate in approximately 31 countries through approximately 58 active contracts and 74 active task orders.

Current Operating Environment and Outlook

External Factors

While political challenges remain, we have seen improvements on the policy and budgetary fronts. In contrast, the international environment continues to be driven by instability, with ongoing and potential conflicts around the globe. Global events are driving adjustments to U.S. national security and foreign policy objectives, as well as the funding levels and mechanisms to support these shifts. External factors influencing the industry continue to include:

- Adhering to discretionary spending caps mandated by the Budget Control Act of 2011 ("BCA");
- Troop levels and tempo of operations in Afghanistan;
- Conflicts in Iraq, Syria and the wider Middle East;
- Russian aggression in Europe and the Middle East; and
- Increased instability and challenges to the existing international framework.

Considering these complex issues, the defense services sector believes there will be growth in the defense topline this year and over the next few fiscal years. The new President consistently pledged to rebuild the military and buy back lost readiness so our men and women in uniform receive the best training and equipment possible to meet an array of global threats. These commitments are upheld in the fiscal year 2018 Department of Defense budget blueprint released on March 16, 2017, which is discussed below.

On services specifically, addressing current readiness will require increased resources for training, maintenance and sustainment. Companies like DynCorp International are well positioned to support efforts to restore military readiness to necessary standards. Recent actions by the Administration reaffirm readiness is a top priority, including a January 27, 2017 Presidential Memorandum on Rebuilding the U.S. Armed Forces that instructed DOD to undertake several efforts to identify and to begin mitigating readiness shortfalls.

Legislatively, Congress negotiated and agreed upon a final fiscal year 2017 Defense Appropriations bill that was passed by the House of Representatives and is awaiting action in the Senate. The bill funds the topline at $578 billion, which is $5 billion above fiscal year 2016, and consists of $516 billion in the base budget and $62 billion in Overseas Contingency Operations funding ("OCO"). On Operations and Maintenance ("O&M") activities, fiscal year 2017 is funded at $216 billion with $168 billion base and $48 billion OCO, which is $2.0 billion above fiscal year 2016. Lastly, and importantly, on fiscal year 2017, an additional Department of Defense Budget amendment was transmitted to Congress on March 16, 2017. The amendment requests $30 billion supplemental funding to further address readiness, unfunded requirements (i.e. end strength and modernization), and ongoing operational requirements.

With regard to the fiscal year 2018 defense budget, the official budget will not be released until May. However, the March 2016 budget blueprint calls for a topline of $639 billion with $574 billion in the base budget and $65 billion in OCO funding. This would represent a $54 billion increase over fiscal year 2017, which represents 10% growth. Regardless of proposed increases, the BCA is the law of the land, barring repeal or modification by Congress. Any increases above the mandated caps will retrigger sequestration. On Capitol Hill, Senate Armed Services Committee Chairman John McCain and House Armed Services Committee Chairman Mac Thornberry are both advocating for a base budget of $640 billion. The President's proposed $54 billion was criticized by defense hawks as too small. Additionally, a bipartisan consensus has emerged against the Administration's plan to increase defense by reducing budgets of other agencies, such as the State Department (-29%) and the Environmental Protection Agency (-31%). In short, there is a lot of work to be done with regard to a fiscal year 2018 budget, but the Administration and Congressional leaders are publicly committed to trying to eliminate the BCA and grow defense.

For the Department of State, the fiscal year 2018 request will be $37.6 billion with $25.6 billion in base and $12 billion in OCO which is roughly 29% below fiscal year 2016. The State Department's role in executing the nation's foreign policy and protecting our national security is vital. Importantly, in reviewing the documents released so far, the request will provide funds for robust core diplomatic activities, such as operations, maintenance, logistics, security, transportation and IT support. These are the services DynCorp International provides to the State Department and, per the currently available data, we do not foresee dramatic cuts to these areas.

Internationally, we believe the decision to increase U.S. troop deployment to Iraq and delay further troop reductions in Afghanistan, the decision to send U.S. Special Forces advisors into Syria while increasing operational tempo in Iraq and Syria, as well as continued conflict and instability in Yemen, Ukraine and others, argues for continued robust OCO funding.

The international environment will continue to be marked by instability for the foreseeable future. Meeting these leadership commitments requires human and financial resources. U.S. defense leaders are currently conducting strategy reviews for operations around the globe. As an example of possible changes to come, on February 9, 2017, General John Nicholson, Commander of U.S. and NATO forces in Afghanistan, testified before the Senate Armed Services Committee. In the hearing, General Nicholson stated that he has a shortfall of "a few thousand people" to support the train and equip portion of the mission and would be requesting additional personnel.

Challenges exist that could adversely impact the services sector on a short-term basis, including the continued usage of Low Price Technically Acceptable and other solely cost focused contracting mechanisms, as well as delays by the U.S. government for contract competes and awards. However, we believe the following longer-term industry trends demonstrate the continued demand for the types of services we provide:

- Realignment of the military force structure, leading to increased outsourcing of non-combat functions, including life cycle;
- Asset management of equipment ranging from organizational to depot-level maintenance;
- Requirement to maintain, overhaul and upgrade for returning rolling stocks and aging platforms;
- Sustain and support forward-deployed rotational troops and equipment;
- Growth in outsourcing by foreign allies of maintenance, supply-support, facilities management, infrastructure upgrades, and construction management related services;
- Continued focus on smart power initiatives by the DoS, USAID, the United Nations ("UN"), and the DoD, including development and smaller-scale stability operations; and
- Further efforts by the U.S. government to move from single-award to multiple-award IDIQ contracts, which offer an opportunity to increase revenue by competing for task orders with the other contract awardees.

We expect international instability to persist, especially in the Middle East. We also believe U.S. defense ties and presence throughout the region will continue to be of vital strategic interest to the U.S. and our allies. Base operations, logistics support and maintenance capacity will be key enablers in this environment and we are especially well-positioned to provide these services to both U.S. forces and allied nations.

Current Business Environment

Our contracts typically have a term of three to ten years consisting of a base period of one year with multiple one-year options. We also have a strong history of being awarded a majority of the contract options. Furthermore, the significance of any one contract can change as our business expands or contracts. Additionally, as contract modifications, contract extensions or other contract actions occur, the profitability of any one contract can become more or less significant to the Company. As contracts are recompeted, there is the potential for the size, contract type, contract structure or other contract elements to materially change from the original contract resulting in significant changes to the scope, scale, profitability or magnitude of accounts receivable of the new recompeted contract as compared to the original contract. See “Item 1A. Risk Factors - Changes to our contracts could impact our future profitability.”

Since our primary customer is the U.S. federal government, we have not historically had significant issues with bad debt. However, given the continued scrutiny by the U.S. government, we could be subjected to regulatory requirements that could require audits at various points within our contracting process. An adverse finding under an audit could result in the disallowance of costs under a U.S. government contract, termination of a U.S. government contract, forfeiture of profits or suspension of payments, which could prove to be impactful to our liquidity, affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government. Disapproval of our control systems could result in an adverse outcome.

We cannot be certain that the economic environment or other factors will not continue to adversely impact our business, financial condition or results of operations in the future. We believe that our primary sources of liquidity, such as customer collections and the New Senior Credit Facility (as defined below), will enable us to continue to perform under our existing contracts and support further growth of our business. However, adverse conditions, such as a long term credit crisis or sequestration, could adversely affect our ability to obtain additional liquidity or refinance existing indebtedness at acceptable terms or at all. As described further in Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, the New Senior Credit Facility contains a provision that would result in all outstanding principal under the New Term Loan and the class B revolving facility maturing on May 8, 2017 if by May 8, 2017, all of the outstanding Senior Unsecured Notes have not been extended to a date that is on or after October 6, 2020, or paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. We received the Support Letter from Cerberus committing to fund the redemption of all outstanding Senior Unsecured Notes on or before May 5, 2017 with the proceeds of new equity or capital contributions. We have therefore sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017. See "Item 1A. Risk Factors - Economic conditions could impact our business" for a discussion of the risks associated with current economic conditions.

Notable events for the year ended December 31, 2016 and to date

- In March 2016, DynLogistics was awarded the G4 Worldwide Logistics Support contract from the United States Army's Intelligence and Security Command to provide multi-disciplined engineering, facilities and logistical support. The contract has a one-year base period, with four one-year options and a total potential contract value of $320.5 million.
- On April 30, 2016, the Company entered into Amendment No. 5 to the Senior Credit Facility, which became effective on June 15, 2016, and on May 2, 2016, the Company launched the Exchange Offer and Consent Solicitation, as further described in Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.
- In May 2016, AELS announced the award of a contract in support of the Advanced Military Maintenance and Repair Overhaul Center ("AMMROC") and the United Arab Emirates ("UAE") military to provide support to the military aircraft and facilities of the UAE. The contract has a one-year base period with two, one-year options with a total potential value of $102 million.
- On May 26, 2016, we were notified that the Company’s claim before the Armed Services Board of Contract Appeals seeking contractual reinterpretation and restructure on a specific U.S. Air Force contract was denied. Based on the outcome, the customer is now requiring the Company to process additional engines. We reached an agreement with the U.S. Air Force related to performance requirements on this contract and we recorded a charge associated with this matter in the second quarter of 2016.

- In June 2016, DynLogistics announced the award of the Al Udeid Civil Engineer ("CE") Base Operation Support ("BOS") Services task order on the Air Force Augmentation Program ("AFCAP IV") from the U.S. Air Force to provide engineering support, fire support, pavement sweeping, facility management, Industrial Chilled Water Systems ("ICWS") and Industrial Controls Systems ("ICS") training, and electrical power production and distribution at the Al Udeid Air Base in Qatar. The task order has a one-year base period, with four one-year options and a total potential task order value of $42.3 million.
- In June 2016, DynLogistics announced the award of the Al Dhafra CE Support Services task order on AFCAP IV from the U.S. Air Force to provide all personnel, labor, vehicles, supervision, training, design, equipment, safety equipment and other items necessary to perform security barriers maintenance and repair, fire alarm and fire suppression system maintenance and repair, and engineering and design support services at Al Dhafra Air Base in the UAE. The task order has a one-year base period, with two one-year options and one six-month option period and a total potential task order value of $8.6 million.
- In June 2016, DynLogistics announced the award of the Southwest Asia ("SWA") Transient Aircraft Services ("TAS") task order on AFCAP IV from the U.S. Air Force to provide personnel, supervision and other services as necessary to operate fixed and rotary wing aircraft. The task order has a one-year base period, with four one-year options and one six-month option period and a total potential task order value of $29.0 million.
- On June 3, 2016 the DoS Office of Acquisition Management posted a J&A for other than full and open competition detailing its intent to extend the INL Air Wing contract for a period of 12 months.
- On June 15, 2016, in connection with the consummation of the Exchange Offer and Consent Solicitation, $415.7 million principal amount of our Senior Unsecured Notes were exchanged for $45.0 million cash and $370.6 million aggregate principal amount of newly issued New Notes, and the amendments to the Senior Unsecured Notes Indenture that were the subject of the Consent Solicitation became effective, as further described in Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.
- On June 15, 2016, DynCorp Funding LLC, a limited liability company managed by Cerberus, entered into the Cerberus 3L Notes, in which $30 million was provided to us, as further described in Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.
- In September 2016, DynLogistics announced the award of an 11-month task order contract modification valued at $111 million that began August 1, 2016, to continue providing base life support and maintenance services in Afghanistan under the LOGCAP IV contract. Immediately following this modification, we were awarded several additional LOGCAP IV contract modifications valued at approximately $50 million annually, beginning October 1, 2016, which will add over 100 new services and require more than 900 additional personnel across four locations.
- In September 2016, DynLogistics announced the award of the Egyptian Personnel Support Services ("EPSS") contract to provide support for daily living in the Arab Republic of Egypt. The contract, which started March 25, 2016, has a two-year base period and a one year option period and a total potential contract value of $22.5 million.
- In September 2016, AELS announced the award of a contract modification for the second option period on the Contractor Logistics Support contract to provide maintenance and logistics support to the United States Navy T-34, T-44, and T-6 aircraft programs. The modification has a total potential value of $107.2 million.
- In September 2016, DynLogistics announced the award of the Saudi Foreign Military Sales ("FMS") BOS task order on AFCAP IV from the U.S. Air Force to provide transportation, personnel, supervision, lodging, labor, training, tools, materials, vehicles, safety equipment and other items and services necessary to support the Kingdom of Saudi Arabia FMS program and personnel. The task order has a total potential value of $4.1 million.
- In September 2016, INL Air Wing received the Large Aviation Program Award for 2015 at the Annual Federal Aviation Awards sponsored by the GSA and the Interagency Committee for Aviation Policy. The award is presented annually to the most outstanding non-military federal aviation program with more than 20 aircraft. In deciding the recipient of the award, the GSA considers aviation management, administration, operations, maintenance, training, and safety. This is the fourth time INL Air Wing has won the Large Aviation Program Award.
- In September 2016, DynLogistics announced the award of the SWA Fire Emergency Service ("FES") task order on AFCAP IV from the U.S. Air Force to provide all management, labor, tools, and equipment for inspection, testing, maintenance, repair, and certification of FES equipment in accordance with manufacturer’s instructions, the Air Force Office of Safety and Health, National Fire Protection Association, Occupational Safety and Health Administration, and National Institute for Occupational Safety and Health codes and standards. The task order has a total potential value of $6.2 million.
- On September 1, 2016, we were notified that the DoS had awarded the re-compete of the INL Air Wing contract to another company. On September 11, 2016, we filed a protest with the GAO challenging the DoS agency’s award determination.

- On September 27, 2016, AOLC finalized negotiations with the DoS Office of Acquisition Management regarding an extension of services on the INL Air Wing program and definitized an agreement for a one-year extension through October 31, 2017. The extension has a total potential value of $292.8 million.

- In October 2016, AELS announced the award of a contract modification for a six month contract extension on the T6 COMBS contract to provide support services for T-6A and T-6B aircraft at ten Air Force and Navy locations throughout the U.S. The modification has a total potential value of $30.3 million.

- In October 2016, DynLogistics announced the award of the Warm BOS Thumrait Air Base ("TRAB") and Al Mussanah Air Base ("AMAB") task order on AFCAP IV from the U.S. Air Force to provide maintenance and repair for TRAB and AMAB in Oman. The task order has a total potential value of $2.9 million.

- In October 2016, the Company announced that it would change from its two operating and reportable segments, DynAviation and DynLogistics, to three operating and reportable segments: DynLogistics, AELS and AOLC.

- In October 2016, the Company announced that George C. Krivo, Senior Vice President, DynGlobal, has been appointed as the Chief Operating Officer of the Company. As previously disclosed, Mr. Krivo is COAC employee who has been seconded to the Company.

- In November 2016, AELS announced the development of a General Terms Agreement with Global Aerospace Logistics and has been awarded an Apache Services task order to maintain aircraft for the Joint Aviation Command of the UAE Armed Forces. The task order, which started September 1, 2016, has a two-year base period and a one-year option period and a total potential task order value of $61 million.

- On November 22, 2016, the Company announced an appeal decision by the United States Court of Appeals for the Eleventh Circuit which agreed with the Company and reinstated claims by the Company against AAR Airlift Group, Inc. under Florida's Uniform Trade Secrets Act.

- In December 2016, AELS announced the award of the Contract Field Teams ("CFT") task order at the Davis-Monthan Air Force Base in Tucson, Arizona to provide maintenance on the 357th Aircraft Maintenance Unit's A-10 Thunderbolt aircraft. The task order, which started November 1, 2016 and ends March 2018, has a total potential task order value of $23 million.

- In December 2016, AOLC announced the award of the U.S. General Services Administration ("GSA") Storage, Analysis, Failure Evaluation and Reclamation ("SAFR") and SAFR Satellite ("SAFR LITE") task order under the GSA Schedule for Logistics Worldwide ("LOGWORLD") contract at Corpus Christi Army Depot in Texas to inspect, repair and verify components used on aircraft with a total potential value of $5.1 million.

- In December 2016, AELS announced the award of the CFT Multiple Award Contract ("MAC") by the U.S. Air Force to perform modification, maintenance, inspection and repair of active systems in the U.S. government inventory. The IDIQ contract has a two-year base period and two two-year option periods and a total potential contract value of $11.4 billion.

- In December 2016, DynLogistics announced the award of a contract in South and Southeast Asia and Oceania by the U.S. Navy to support various DoD missions, including humanitarian aid, civic assistance, military construction and contingency services. The contract has a one-year base period, with seven one-year options and one six-month option period and a total potential contract value of $93.8 million.

- In December 2016, AELS announced the award of a contract by the U.S. Navy to maintain and provide logistics services for aircraft and support for equipment for the Naval Test Wing Atlantic on behalf of the Naval Warfare Center Aircraft Division in Patuxent River, Maryland. The contract has a one-year base period, with four one-year options and a total potential contract value of $546 million.

- In December 2016, AOLC announced the award by the U.S. Army for the TASM-O contract Option Year 3 to provide aviation maintenance services under the AFM program. The one year contract modification has a total potential value of $125.5 million.

- In December 2016, DynLogistics announced the award of a contract extension from the United States Army Contracting Command to provide advisory, training and mentoring services to the Afghanistan Ministry of Defense. The one year contract extension has a total potential value of $54.2 million.

- In December 2016, DynLogistics announced the award of a contract extension from the United States Army Contracting Command to provide advisory, training and mentoring services to the Afghanistan Ministry of Interior. The one year contract extension has a total potential value of $67.2 million.

- On December 21, 2016, we were notified that the GAO denied our protest of the DoS agency's award determination of the INL Air Wing contract to another company. We continue to pursue legal recourse before the U.S. Court of Federal Claims regarding this matter.

- In January 2017, DynLogistics announced the award of a contract extension for the War Reserve Materiel II contract through September 30, 2017. The contract extension has a total potential value of $22.7 million.

- On January 23, 2017, DynLogistics announced the award of the War Reserve Materiel III contract to manage the U.S. Air Force Central Command Area of Responsibility War Reserve Materiel Pre-positioning program, which includes operations in Oman, Bahrain, Qatar, Kuwait, United Arab Emirates and two locations in the United States. The contract has a three-month transition period, five-month base period and seven one-year options and a total potential contract value of $412 million.

- On March 24, 2017, we received the Support Letter from Cerberus committing to fund the New Cerberus Financing, and we sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions.

Results of Operations

The results of operations presented are for the years ended December 31, 2016 , December 31, 2015 , and December 31, 2014 .

Delta Tucker Holdings, Inc. Results of Operations for t he years ended December 31, 2016 , December 31, 2015 , and December 31, 2014

The following table sets forth our consolidated statements of operations, both in dollars and as a percentage of revenue, for the years ended December 31, 2016 , December 31, 2015 , and December 31, 2014 :

	For the years ended					
(Amounts in thousands)	December 31, 2016		December 31, 2015		December 31, 2014	
Revenue	$ 1,836,154	100.0 %	$ 1,923,177	100.0 %	$ 2,252,309	100.0 %
Cost of services	(1,636,331)	(89.1)%	(1,721,679)	(89.5)%	(2,072,865)	(92.0)%
Selling, general and administrative expenses	(139,531)	(7.6)%	(144,675)	(7.5)%	(146,881)	(6.5)%
Depreciation and amortization expense	(34,889)	(1.9)%	(34,986)	(1.8)%	(48,582)	(2.2)%
Earnings from equity method investees	1,066	0.1 %	140	— %	10,077	0.4 %
Impairment of goodwill, intangibles and long lived assets	(1,782)	(0.1)%	(96,696)	(5.0)%	(214,004)	(9.5)%
Operating income (loss)	24,687	1.4 %	(74,719)	(3.8)%	(219,946)	(9.8)%
Interest expense	(72,361)	(3.9)%	(68,824)	(3.6)%	(70,783)	(3.1)%
Loss on early extinguishment of debt	(328)	— %	—	— %	(1,362)	(0.1)%
Interest income	212	— %	110	— %	221	— %
Other income, net	4,935	0.3 %	3,968	0.2 %	3,680	0.2 %
Loss before income taxes	(42,855)	(2.2)%	(139,465)	(7.2)%	(288,190)	(12.8)%
(Provision) benefit for income taxes	(10,138)	(0.6)%	8,672	0.5 %	20,570	0.9 %
Net loss	(52,993)	(2.8)%	(130,793)	(6.7)%	(267,620)	(11.9)%
Noncontrolling interests	(1,071)	(0.1)%	(1,809)	(0.1)%	(2,160)	(0.1)%
Net loss attributable to Delta Tucker Holdings, Inc.	$ (54,064)	(2.9)%	$ (132,602)	(6.8)%	$ (269,780)	(12.0)%

Results of Operations 2016 vs 2015

Revenue — Revenue for the year ended December 31, 2016 was $1,836.2 million , a decrease of $87.0 million or (4.5)% , compared to the year ended December 31, 2015 . The decrease was primarily driven by the continued drawdown of U.S. forces in Afghanistan, which impacted the demand for services under our LOGCAP IV contract and lower content on the INL Air Wing program, partially offset by new contract wins in our DynLogistics segment and increased content on contracts within our AELS segment. See further discussion of our revenue results in the " *Results by Segment* " section below.

Cost of services — Cost of services are comprised of direct labor, direct material, overhead, subcontractors, travel, supplies and other miscellaneous costs. Cost of services for the year ended December 31, 2016 was $1,636.3 million , a decrease of $85.3 million , or (5.0)% , compared to the year ended December 31, 2015 . The decrease in Cost of services was primarily driven by a reduction in demand for services, consistent with the decline in revenue, as discussed above. As a percentage of revenue, Cost of services improved to 89.1% for the year ended December 31, 2016 compared to 89.5% for the year ended December 31, 2015 . See further discussion of the impact of program margins in the " *Results by Segment* " section below.

Selling, general and administrative expenses — 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 decreased by $5.1 million , or (3.6)% , to $139.5 million during the year ended December 31, 2016 primarily as a result of the decrease in legal costs and severance expense combined with our cost reduction initiatives, partially offset by an increase in costs by our Global Advisory Group. SG&A as a percentage of revenue for the year ended December 31, 2016 was 7.6% and remained consistent compared to 7.5% for the year ended December 31, 2015 .

Depreciation and amortization — Depreciation and amortization during the year ended December 31, 2016 was $34.9 million , a decrease of $0.1 million , or (0.3)% , which remained consistent compared to the year ended December 31, 2015 .

Earnings from equity method investees — Earnings from equity method investees include our proportionate share of the income of our equity method investees deemed to be operationally integral to our business, such as Partnership for Temporary Housing LLC ("PaTH"), Contingency Response Services LLC ("CRS"), Global Response Services LLC ("GRS") and Global Linguist Solutions ("GLS"). Earnings from operationally integral unconsolidated affiliates for the year ended December 31, 2016 was $1.1 million , an increase of $0.9 million compared to the year ended December 31, 2015 , primarily as a result of activity in our PaTH joint venture.

Impairment of goodwill, intangibles and long lived assets — Impairment expense for the years ended December 31, 2016 and December 31, 2015 was $1.8 million and $96.7 million , respectively. Impairment expense for the year ended December 31, 2016 was due to a non-cash impairment charge on our investment in GLS which had a loss in value that was other than temporary. Impairment expense for the year ended December 31, 2015 was due to the $86.8 million impairment of goodwill, the $5.2 million impairment of certain intangibles and indefinite-lived tradename and the $4.7 million impairment of assets held for sale. See Note 2 and Note 3 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Interest expense — Interest expense for the year ended December 31, 2016 was $72.4 million , an increase of $3.5 million , or 5.1% , compared to the year ended December 31, 2015 . The increase is primarily due to the PIK interest on our New Notes effective January 1, 2016.

Loss on early extinguishment of debt — Loss on early extinguishment of debt was $0.3 million as we made $4.6 million in principal prepayments on the Term Loan under the Senior Credit Facility during the year ended December 31, 2016 . Deferred financing costs associated with the additional prepayment were expensed and recorded to Loss on early extinguishment of debt. Loss on early extinguishment of debt was zero as we made no principal payments on the Term Loan during the year ended December 31, 2015 .

Other income, net — Other income, net, for the year ended December 31, 2016 was $4.9 million , an increase of $1.0 million compared to the year ended December 31, 2015 , primarily due to a multi-party settlement agreement that resolves underwriters litigation in which we will recoup $5.0 million of legal expenses, partially offset by a loss on sale of helicopters.

Income taxes — Our effective tax rate consists of federal and state statutory rates, certain permanent differences and discrete items. The effective tax rate for the year ended December 31, 2016 was 23.7% , as compared to 6.2% for the year ended December 31, 2015 . The effective tax rate for the year ended December 31, 2016 was driven primarily by an increase to the forecasted full year loss before income taxes and cancellation of debt income associated with the Refinancing Transactions both of which impacted the valuation allowance. See Note 4 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of income taxes.

Results of Operations 2015 vs 2014

Revenue — Revenue for the year ended December 31, 2015 was $1,923.2 million , a decrease of $329.1 million , or (14.6)% , compared to the year ended December 31, 2014 . The decrease was primarily driven by the continued drawdown of U.S. forces in Afghanistan, which impacted the demand for services under our LOGCAP IV contract, lower volume on the CivPol task orders, and the completion of the Afghanistan Ministry of Defense Program ("AMDP"), the Combined Security Transition Command Afghanistan ("CSTC-A"), Counter Narcotics Terrorism Program Office ("CNTPO") and certain other contracts, partially offset by new contracts, including T-34/T-44/T-6, and Future Flexible Acquisition and Sustainment Tool ("F2AST"). See further discussion of our revenue results in the " *Results by Segment* " section below.

Cost of services — Cost of services are comprised of direct labor, direct material, overhead, subcontractors, travel, supplies and other miscellaneous costs. Cost of services for the year ended December 31, 2015 was $1,721.7 million , a decrease of $351.2 million , or (16.9)% , compared to the year ended December 31, 2014 . The decrease in Cost of services was primarily driven by a reduction in demand for services, consistent with the decline in revenue, as discussed above. As a percentage of revenue, Cost of services improved to 89.5% for the year ended December 31, 2015 compared to 92.0% for the year ended December 31, 2014 , primarily due to a one-time $35.0 million charge during the year ended December 31, 2014 on a certain U.S. Air Force contract related to a contract dispute. See further discussion of the impact of program margins in the " *Results by Segment* " section below.

Selling, general and administrative expenses — 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 decreased by $2.2 million , or 1.5% , to $144.7 million during the year ended December 31, 2015 primarily as a result of the decrease in severance expense combined with our cost reduction initiatives, partially offset by higher legal costs during the year ended December 31, 2015 . SG&A as a percentage of revenue was 7.5% for the year ended December 31, 2015 compared to 6.5% for the year ended December 31, 2014 as a result of the decline in revenue outpacing general and administrative reductions and the higher legal costs noted above.

Depreciation and amortization — Depreciation and amortization during the year ended December 31, 2015 was $35.0 million , a decrease of $13.6 million , or 28.0% , compared to the year ended December 31, 2014 . The decrease was primarily due to the non-cash impairment charge during the fourth quarter of 2014 which provided a new cost basis of the customer-related intangible assets ("CRI") as of December 31, 2014 . The new cost basis of the CRI will be amortized over the remaining useful life of the asset.

Earnings from equity method investees — Earnings from equity method investees include our proportionate share of the income of our equity method investees deemed to be operationally integral to our business, such as Partnership for Temporary Housing LLC ("PaTH"), Contingency Response Services LLC ("CRS"), Global Response Services LLC ("GRS") and Global Linguist Solutions ("GLS"). Earnings from operationally integral unconsolidated affiliates for the year ended December 31, 2015 was $0.1 million , a decrease of $9.9 million compared to the year ended December 31, 2014 . The decrease was primarily as a result of equity method income recognized upon the receipt of a $9.6 million distribution from GLS related to the finalization of Form 1s in February 2014 allowing GLS to submit previous invoices for recovery.

Impairment of goodwill, intangibles and long lived assets — Impairment for the years ended December 31, 2015 and December 31, 2014 was $96.7 million and $214.0 million , respectively. Impairments in 2015 were due to the $86.8 million impairment of goodwill, the $5.2 million impairment of certain intangibles and indefinite-lived tradename and the $4.7 million impairment of assets held for sale. Of the $214.0 million recorded in 2014, $164.9 million related to goodwill, $33.4 million related to customer-relationship intangibles and $14.5 million related to indefinite-lived tradename, with the remainder related to impairments of helicopters and software.

Interest expense — Interest expense for the year ended December 31, 2015 was $68.8 million , a decrease of $2.0 million , or (2.8)% , compared to the year ended December 31, 2014 . The decrease is the result of the reduction of the principal balance of our Term Loan by $90.0 million of principal prepayments during the year ended December 31, 2014 .

Loss on early extinguishment of debt — Loss on early extinguishment of debt was zero as we made no principal payments on the Term Loan during the year ended December 31, 2015 . Loss on early extinguishment of debt of $1.4 million for the year ended December 31, 2014 was attributable to principal prepayments on our Term Loan totaling $90.0 million . Deferred financing costs associated with the additional prepayment were expensed and recorded to Loss on early extinguishment of debt.

Other income, net — Other income, net, for the year ended December 31, 2015 was $4.0 million , an increase of $0.3 million compared to the year ended December 31, 2014 , primarily as a result of earnings recognized from Babcock DynCorp Limited ("Babcock"), sublease income, and gains/losses from asset dispositions.

Income taxes — Our effective tax rate consists of federal and state statutory rates, certain permanent differences and discrete items. The effective tax rate for the year ended December 31, 2015 was 6.2% , as compared to 7.1% for the year ended December 31, 2014 . The effective tax rate for the year ended December 31, 2015 was driven primarily by the impact of the goodwill impairment and our valuation allowance taken during the year ended December 31, 2015 .

Results by Segment

The following tables set forth the revenue, both in dollars and as a percentage of our consolidated revenue, operating income (loss) and operating margin for our operating segments for the years ended December 31, 2016 , December 31, 2015 , and December 31, 2014 . See Note 11 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

	For the years ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
(Amounts in thousands)	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
AELS	$ 585,200	31.9 %	$ 545,909	28.4 %	$ 431,424	19.2 %
AOLC	617,282	33.6 %	730,153	38.0 %	772,993	34.3 %
DynLogistics	633,646	34.5 %	647,142	33.6 %	1,045,200	46.4 %
Headquarters / Other (1)	26	— %	(27)	— %	2,692	0.1 %
Consolidated revenue	$ 1,836,154	100.0 %	$ 1,923,177	100.0 %	$ 2,252,309	100.0 %
	Operating (Loss) Income	(Loss) Profit Margin	Operating (Loss) Income	(Loss) Profit Margin	Operating (Loss) Income	(Loss) Profit Margin
AELS	$ (19,213)	(3.3)%	$ (97,400)	(17.8)%	$ (95,197)	(22.1)%
AOLC	49,334	8.0 %	28,160	3.9 %	33,696	4.4 %
DynLogistics	70,402	11.1 %	42,496	6.6 %	(67,097)	(6.4)%
Headquarters / Other (2)	(75,836)		(47,975)		(91,348)	
Consolidated operating income / (loss)	$ 24,687		$ (74,719)		$ (219,946)	

(1) Represents revenue earned on shared service arrangements for general and administrative services provided to unconsolidated joint ventures and elimination of intercompany items between segments.

(2) Headquarters operating loss 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, Global Advisory Group costs and costs associated with the Refinancing Transactions, partially offset by equity method investee income.

Results by Segment 2016 vs 2015

AELS

Revenue of $585.2 million increased $39.3 million , or 7.2% , for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The change was primarily as a result of increased content from T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS"), T-34, T-44/T-6 ("CLS") and Naval Aviation Warfighting Development Center ("NAWDC") contracts. The increase in revenue was partially offset by the completion of the Sheppard Air Force Base ("Sheppard AFB") contract. We expect our calendar year 2017 revenue for the AELS segment to continue to hold in line with our calendar year 2016 revenue.

Operating loss of $19.2 million for the year ended December 31, 2016 as compared to $97.4 million for the year ended December 31, 2015 was primarily a result of continued awards of incentive fees on a U.S. Navy contract partially offset by additional contract loss charges on a U.S. Air Force contract. The operating loss for the year ended December 31, 2015 was primarily due to the goodwill impairment charge of $86.8 million on our goodwill, the completion of contracts that historically commanded higher margins and a contract loss accrual on a U.S. Navy program.

AOLC

Revenue of $617.3 million decreased $112.9 million , or (15.5)% , for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The decrease in revenue was due to lower content on the INL Air Wing and Multi Sensor Aerial Intelligence Surveillance and Reconnaissance Operations and Sustainment programs and the completion of certain Middle East contracts. The decrease in revenue was partially offset by new business from the Saudi Arabian National Guard ("SANG") contract and increased content from the Theater Aviation Sustainment Manager - OCONUS ("TASM-O") contract. Challenges to future revenue growth as a result of an increasingly competitive environment and delays in government procurement processes could result in continued declines in calendar year 2017 revenue for the AOLC segment.

Operating income was $49.3 million for the year ended December 31, 2016 as compared $28.2 million for the year ended December 31, 2015 . Operating income for the year ended December 31, 2016 was primarily due to the strong performance of the INL Air Wing and the Regional Aviation Sustainment Maintenance ("RASM-W") contracts, as well as the MD530 subcontract, and a multi-party settlement agreement that resolves underwriters litigation in which we will recoup $5.0 million of legal expenses.

Operating income for the year ended December 31, 2015 was primarily due to the performance of the INL Air Wing and F2AST contracts, partially offset by operating losses at our Heliworks subsidiary and the completion of certain higher margin contracts.

DynLogistics

Revenue of $633.6 million decreased $13.5 million , or (2.1)% , for the year ended December 31, 2016 compared to the year ended December 31, 2015 primarily as a result of reductions in manning, materials and other direct costs under the Afghan AOR task order and completion of the Kuwait task orders under the LOGCAP IV program and the completion of certain other contracts. This decline was partially offset by the new ALiSS contract and the new contract from the U.S. Army Contracting Command to provide technical support services to the Iraqi Army in Taji. We expect our calendar year 2017 revenue for the DynLogistics segment to exceed our calendar year 2016 revenue due to our recent contract awards despite the decline in the efforts in Afghanistan and the continued near term pressure on U.S. defense budgets.

Operating income of $70.4 million for the year ended December 31, 2016 as compared to $42.5 million for the year ended December 31, 2015 was primarily due to a favorable contract settlements on a legacy program, productivity gains on certain fixed-price contracts, partially offset by the decline in revenue discussed above. Operating income of $42.5 million for the year ended December 31, 2015 was primarily due to the definitization of cost and fee on certain legacy programs and the execution of an agreement to end our LOGCAP IV collaborative fee sharing arrangement.

Results by Segment 2015 vs 2014

AELS

Revenue of $545.9 million increased $114.5 million , or 26.5% , for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The change was primarily as a result of increased content from T-6 COMBS and Sheppard AFB (prior to the completion of that contract), new business from NAWDC and T-34/T-44/T-6 and continued organic growth in our Advanced Military Maintenance, Repair and Overhaul Center ("AMMROC") contract. The increase in revenue was partially offset by the completion of C20 and C21 programs and certain task orders under the Contract Field Teams ("CFT") program.

Operating loss was $97.4 million for the year ended December 31, 2015 as compared to $95.2 million for the year ended December 31, 2014 . The operating loss for the year ended December 31, 2015 was primarily due to the goodwill impairment charge of $86.8 million on our goodwill, the completion of contracts that historically commanded higher margins and contract losses on new U.S. Navy programs. The operating loss for the year ended December 31, 2014 was primarily as a result of the goodwill impairment charge of $62.2 million on our goodwill and an additional contract loss recorded on a U.S. Air Force contract related to a contract dispute.

AOLC

Revenue of $730.2 million decreased $42.8 million , or 5.5% , for the year ended December 31, 2015 compared to the year ended December 31, 2014 . The decrease in revenue was due to lower content on the INL Air Wing program and the completion of the CNTPO program. The decrease in revenue was partially offset by increased content from Theater Aviation Sustainment Manager - OCONUS ("TASM-O") and MD530 subcontracts, new business from the F2AST contract and continued organic growth in our Middle East contracts and the Saudi Arabian National Guard ("SANG") contract.

Operating income of $28.2 million for the year ended December 31, 2015 as compared to $33.7 million for the year ended December 31, 2014 was primarily due to the performance of the INL Air Wing and F2AST contracts, partially offset by operating losses at our Heliworks subsidiary and the completion of certain higher margins contracts. The operating income for the year ended December 31, 2014 was primarily due to the performance of the INL Air Wing contract, partially offset by the impairment charge of $12.0 million on our goodwill.

DynLogistics

Revenue of $647.1 million decreased $398.1 million , or 38.1% , for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily as a result of reductions in manning, materials and other direct costs under the AOR task order under the LOGCAP IV program. Additionally, revenue was impacted by descoping the Philippines Operations Support ("POS") contract, lower volume on the Civilian Police ("CivPol") task orders and the completion of AMDP, CSTC-A, and certain other contracts. This decline was partially offset by the new Afghanistan Ministry of Interior and Afghanistan Ministry of Defense task orders under the United States Army Contracting Command and growth in our national strategic programs portfolio.

Operating income of $42.5 million for the year ended December 31, 2015 as compared to an operating loss of $67.1 million for the year ended December 31, 2014 was primarily due to the goodwill impairment charge of $90.7 million during the year ended December 31, 2014 , the definitization of cost and fee on certain legacy programs in 2015 and the execution of an agreement to end our LOGCAP IV collaborative fee sharing arrangement.

LIQUIDITY AND CAPITAL RESOURCES

On April 30, 2016, we executed Amendment No. 5 to the Senior Credit Facility, which provided for the New Senior Credit Facility that became effective on June 15, 2016 upon the satisfaction of certain conditions, including the consummation of the Exchange Offer and the other Refinancing Transactions. Cash generated by operations and borrowings available under our New Senior Credit Facility are our primary sources of short-term liquidity. See Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our New Senior Credit Facility.

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 and access to our Amended Revolver is dependent upon our meeting financial and non-financial covenants. Significant changes, such as a future government shutdown, further cuts mandated by sequestration or any other limitations in collections, significant future losses on any of our contracts or loss of our ability to access our Amended Revolver, could materially impact liquidity and our ability to fund our working capital needs. Failure to meet covenant obligations prior to its scheduled maturity could result in an earlier elimination of access to our New Senior Credit Facility or other remedies by our Agent, such as the acceleration of our debt, which would materially affect our future expansion strategies and our ability to meet our operational obligations. See further discussion of our covenants in the *Financing* section below.

Our primary use of short-term liquidity includes debt service and 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. Although we operate internationally, virtually all of our cash is held by either U.S. entities or by foreign entities which are structured as pass through entities. As a result, we do not have significant risk associated with our ability to repatriate cash.

As further described in Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, the New Senior Credit Facility contains a provision that would result in all outstanding principal under the New Term Loan and the class B revolving facility maturing on May 8, 2017 if by May 8, 2017 , all of the outstanding Senior Unsecured Notes have not been extended to a date that is on or after October 6, 2020 , or paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. We received the Support Letter from Cerberus committing to fund the New Cerberus Financing. We have therefore sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017.

Our New Senior Credit Facility provided for a class A revolving facility which terminated on July 7, 2016 . Availability under the Amended Revolver during the two years immediately after June 15, 2016 will be subject to a condition that, if, at the time of a request for revolving loans or an issuance of a letter of credit, the aggregate principal amount of revolving loans plus the face amount of outstanding letters of credit exceeds 50% of the aggregate amount of Amended Revolver commitments at such time, the aggregate amount of unrestricted cash and cash equivalents of DynCorp International and its subsidiaries (giving pro forma effect to requested revolving loans and any application of proceeds thereof or other cash on hand) may not exceed $60 million .

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 and is calculated based on average daily revenue for the most recent quarter and accounts receivable, net of customer advances, as of the balance sheet date. As of December 31, 2016 and December 31, 2015 , DSO was 56 days compared to 73 days, as we continued to focus on managing our customer payment cycles. We expect cash to continue to be impacted by operational working capital needs, potential acquisitions and interest payments on our indebtedness.

Cash Flow Analysis

The following table sets forth cash flow data for the periods indicated therein:

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Net cash provided by operating activities	$ 41,153	$ 19,572	$ 25,377
Net cash used in investing activities	(16,940)	(2,735)	(4,674)
Net cash used in financing activities	(14,777)	(2,059)	(97,544)

Cash Flows - December 31, 2016 vs December 31, 2015

Operating Activities

Cash provided by operating activities during the year ended December 31, 2016 was $41.2 million as compared to $19.6 million during the year ended December 31, 2015 . Cash provided by operations for the year ended December 31, 2016 was primarily due to our net loss and changes in working capital, driven by a reduction in accounts receivable attributable to our DSO of 56 days partially offset by a reduction in accounts payable and accrued expense. Cash provided by operations for the year ended December 31, 2015 was impacted by our net loss position, excluding the impact of non-cash impairments, and our change in working capital.

Investing Activities

Cash used in investing activities during the year ended December 31, 2016 was $16.9 million as compared to $2.7 million during the year ended December 31, 2015 . Cash used in investing activities during the year ended December 31, 2016 was primarily due to restricted cash proceeds received from the Cerberus 3L Notes restricted to pay fees and expenses related to the Company's Global Advisory Group, purchases of capital assets and contributions to GLS. Cash used in investing activities during the year ended December 31, 2015 was primarily due to the purchases of capital assets and contributions to GLS partially offset by returns of capital from our Babcock joint venture.

Financing Activities

Cash used in financing activities during the year ended December 31, 2016 was $14.8 million compared to $2.1 million during the year ended December 31, 2015 . Cash used in financing activities during the year ended December 31, 2016 was primarily the result of the completion of the Refinancing Transactions. Cash used in financing activities during the year ended December 31, 2015 was primarily the result of payments related to financed insurance.

Cash Flows - December 31, 2015 vs December 31, 2014

Operating Activities

Cash provided by operating activities during the year ended December 31, 2015 was $19.6 million as compared to cash provided by operating activities of $25.4 million during the year ended December 31, 2014 . Cash provided by operations for the year ended December 31, 2015 was impacted by our net loss position, excluding the impact of non-cash impairments, and our change in working capital. Cash provided by operations for the year ended December 31, 2014 was impacted by our net loss position, excluding the impact of non-cash impairments, our change in working capital and by dividends received from equity method investees.

Investing Activities

Cash used in investing activities during the year ended December 31, 2015 was $2.7 million as compared to cash used in investing activities during the year ended December 31, 2014 of $4.7 million . Cash used in investing activities during the year ended December 31, 2015 was primarily due to the purchases of capital assets and contributions to GLS partially offset by returns of capital from our Babcock joint venture. Cash used in investing activities during the year ended December 31, 2014 was primarily due to the purchase of fixed assets and the investment in software partially offset by the return of capital from our Babcock joint venture.

Financing Activities

Cash used in financing activities during the year ended December 31, 2015 was $2.1 million compared to $97.5 million of cash used in financing activities during the year ended December 31, 2014 . Cash used in financing activities during the year ended December 31, 2015 was primarily the result of payments related to financed insurance. Cash used in financing activities during the year ended December 31, 2014 was primarily the result of the $90.0 million prepayment on our Term Loan as well as payments related to financed insurance.

Financing

Debt consisted of the following:

	As of December 31, 2016			
(Amounts in thousands)	Carrying Amount	Original Issue Discount on Term Loan	Deferred Financing Costs, Net	Carrying Amount less Original Issue Discount on Term Loan and Deferred Financing Costs, Net
10.375% senior unsecured notes	$ 39,319	$ —	$ —	$ 39,319
11.875% senior secured second lien notes	373,385	—	(1,581)	371,804
Term loan	207,400	(12,570)	(4,248)	190,582
Cerberus 3L notes	30,831	—	(80)	30,751
Total indebtedness	650,935	(12,570)	(5,909)	632,456
Less current portion of long-term debt	(64,433)	1,364	226	(62,843)
Total long-term debt	$ 586,502	$ (11,206)	$ (5,683)	$ 569,613

	As of December 31, 2015		
(Amounts in thousands)	Carrying Amount	Deferred Financing Costs, Net	Carrying Amount less Deferred Financing Costs, Net
10.375% senior unsecured notes	$ 455,000	$ (2,835)	$ 452,165
Term loan	187,272	(2,406)	184,866
Total indebtedness	642,272	(5,241)	637,031
Less current portion of long-term debt	(187,272)	2,406	(184,866)
Total long-term debt	$ 455,000	$ (2,835)	$ 452,165

On April 30, 2016 , we entered into the Amendment No. 5 to the Senior Credit Facility, which provided for the New Senior Credit Facility upon the satisfaction of certain conditions. On June 15, 2016 , the New Senior Credit Facility became effective. The New Senior Credit Facility is secured by substantially all of our assets and is guaranteed by substantially all of our subsidiaries. Pursuant to the terms of the New Senior Credit Facility, among other things, the maturity of certain of the revolving credit commitments was extended into the class B revolving facility and certain lenders provided the New Term Loan, the proceeds of which were used to repay the existing term loans under the Senior Credit Facility in full. On August 22, 2016 , we entered into Amendment No. 6 to the credit agreement governing the New Senior Credit Facility, which made certain technical amendments to the reporting covenant agreed to in Amendment No. 5. As amended, the covenant permits the Company’s annual financial statements to include a report from its independent registered public accounting firm with a qualification as to the Company’s ability to continue as a going concern for the fiscal year ending December 31, 2016 that relates solely to the maturity of the Senior Unsecured Notes, the New Term Loan and/or the class B revolving facility.

As of December 31, 2016 , the New Senior Credit Facility provided for the following:

- a $207.4 million New Term Loan;
- the Amended Revolver, consisting of the $85.8 million class B revolving commitments; and
- up to $15.0 million in incremental revolving facilities provided by and at the discretion of certain non-debt fund affiliates that are controlled by Cerberus, which shall rank pari passu with, and be on the same terms as, the class B revolving facility.

The New Term Loan under the New Senior Credit Facility was subject to a fee in the amount of 700 basis points, which is reflected as an original issue discount in the balance of the New Term Loan, and each of the lenders holding class B revolving facility commitments on June 15, 2016 were paid an upfront fee equal to 2.00% of the class B revolving facility commitment held by such lender.

Our New Senior Credit Facility provided for a $24.8 million class A revolving facility which terminated on July 7, 2016 . Availability under the Amended Revolver during the two years immediately after June 15, 2016 will be subject to a condition that, if, at the time of a request for revolving loans or an issuance of a letter of credit, the aggregate principal amount of revolving loans plus the face amount of outstanding letters of credit exceeds 50% of the aggregate amount of Amended Revolver commitments at such time, the aggregate amount of unrestricted cash and cash equivalents of DynCorp International and its subsidiaries (giving pro forma effect to requested revolving loans and any application of proceeds thereof or other cash on hand) may not exceed $60 million .

As of December 31, 2016 and December 31, 2015 , the available borrowing capacity under the New Senior Credit Facility and the Senior Credit Facility was approximately $48.0 and $102.2 million , respectively, and included $37.8 million and $42.6 million , respectively, in issued letters of credit. As of December 31, 2016 and December 31, 2015 there were no amounts borrowed under the Amended Revolver and Revolver, respectively. Amounts borrowed under the Amended Revolver and Revolver are used to fund operations. The class B revolving facility and the New Term Loan mature on July 7, 2019 and July 7, 2020 , respectively. See Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of potential maturity date acceleration.

We incur quarterly interest payments on both the New Term Loan and the Amended Revolver comprised of (i) interest for New Term Loan and Amended Revolver borrowings, (ii) letter of credit commitments and (iii) unused commitment fees. See Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information related to the Senior Credit Facility and New Senior Credit Facility.

On June 15, 2016 , in connection with the consummation of the Exchange Offer, $415.7 million principal amount of the Senior Unsecured Notes were exchanged for $45.0 million cash and $370.6 million aggregate principal amount of newly issued New Notes. The remaining $39.3 million principal amount of Senior Unsecured Notes mature on July 1, 2017 . The interest payments on the Senior Unsecured Notes are payable semi-annually on January 1 st and July 1 st.

Interest on the New Notes accrues at the rate of 11.875% per annum, comprised of 10.375% per annum in cash and 1.500% per annum payable in kind (“PIK,” and such interest “PIK Interest”). The cash portion of the interest on the New Notes is payable in cash and the PIK Interest on the New Notes is payable in kind, each semi-annually in arrears on January 1 and July 1, commencing on July 1, 2016 . See Note 7 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information related to the New Notes.

The weighted-average interest rate as of December 31, 2016 and December 31, 2015 for our debt, excluding the Cerberus 3L Notes, was 10.4% and 9.2% , respectively, excluding the impact of deferred financing fees. There were no interest rate hedges in place during the years ended December 31, 2016 and December 31, 2015 .

Based on the completion of the Exchange Offer and the satisfaction of conditions set forth in the Third Lien Credit Facility Commitment Letter, dated April 30, 2016 , DynCorp Funding LLC, a limited liability company managed by Cerberus Capital Management, L.P., entered into the Third Lien Credit Agreement with us. Under the Third Lien Credit Agreement, DynCorp Funding LLC has funded the Cerberus 3L Notes, a $30 million term loan to us. The interest rate per annum applicable to the Cerberus 3L Notes is 5.00% , payable in kind on a quarterly basis. The Cerberus 3L Notes do not require any mandatory amortization payments prior to maturity and the outstanding principal amounts shall be payable on June 15, 2026 . The proceeds of the Cerberus 3L Notes will be used by DynCorp International to pay fees and expenses (including reimbursement of out-of-pocket expenses) in support of or related to the Company’s Global Advisory Group until June 15, 2018 and, thereafter, for working capital and general corporate purposes.

Debt Covenants and Other Matters

The New Senior Credit Facility contains a number of financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. These covenants, among other things, limit our ability to:

- incur additional indebtedness;
- create liens on assets;
- enter into sale and leaseback transactions;
- make investments, loans, guarantees or advances;
- make certain acquisitions;
- sell assets;
- engage in mergers or acquisitions;
- pay dividends and make distributions or repurchase capital stock;
- repay certain other indebtedness;
- enter into agreements that restrict the ability of our subsidiaries to pay dividends;
- engage in certain transactions with affiliates;
- change the business conducted by us or our subsidiaries;
- amend our organizational documents;
- change our accounting policies or reporting practices or our fiscal year; and
- make capital expenditures.

In addition, the New Senior Credit Facility requires us to maintain a maximum total leverage ratio and a minimum interest coverage ratio. The New Senior Credit Facility also requires, solely for the benefit of the lenders under the Amended Revolver, for us to maintain minimum liquidity (based on availability of revolving credit commitments under the New Senior Credit Facility plus unrestricted cash and cash equivalents) as of the end of each fiscal quarter of not less than $60 million through the fiscal quarter ending December 31, 2017 , and of not less than $50 million thereafter. The New Senior Credit Facility also contains customary representations and warranties, affirmative covenants and events of default.

The total leverage ratio under the New Senior Credit Facility is Consolidated Total Debt, as defined in Amendment No. 5 (which definition excludes debt under the Cerberus 3L Notes), less unrestricted cash and cash equivalents (up to $75.0 million) to Consolidated EBITDA, as defined in Amendment No. 5, for the applicable period.

The maximum total leverage ratios under the New Senior Credit Facility are set forth below as follows:

Period Ending	Total Leverage Ratio
December 31, 2016	7.40 to 1.0
March 31, 2017	7.30 to 1.0
June 30, 2017	6.75 to 1.0
September 29, 2017	6.50 to 1.0
December 31, 2017	5.75 to 1.0
March 30, 2018	5.75 to 1.0
June 29, 2018	5.50 to 1.0
September 28, 2018	5.40 to 1.0
September 29, 2018 and thereafter	4.75 to 1.0

The interest coverage ratio under the New Senior Credit Facility is the ratio of Consolidated EBITDA to Consolidated Interest Expense, as defined in Amendment No. 5 (which provides that interest expense with respect to the Cerberus 3L Notes is excluded). The minimum interest coverage ratios under the New Senior Credit Facility are set forth below as follows:

Period Ending	Interest Coverage Ratio
December 31, 2016	1.15 to 1.0
March 31, 2017	1.20 to 1.0
June 30, 2017	1.20 to 1.0
September 29, 2017	1.30 to 1.0
December 31, 2017	1.40 to 1.0
March 30, 2018	1.50 to 1.0
June 29, 2018	1.60 to 1.0
June 30, 2018 and thereafter	1.70 to 1.0

The Indenture governing the New Notes contains various covenants that restrict our ability to:

- incur additional indebtedness;
- pay dividends on capital stock or repurchase capital stock;
- make investments;
- create liens or use assets as security in other transactions;
- merge, consolidate or transfer or dispose of substantially all of its assets;
- engage in transactions with affiliates; and
- sell certain assets or merge with or into other companies.

These covenants are subject to a number of important exceptions and qualifications.

The Cerberus 3L Notes include covenants consistent with the covenants set forth in the New Notes; provided that each “basket” or “cushion” set forth in the covenants is at least 25% less restrictive than the corresponding provision set forth in the New Notes.

We closely evaluate our expected ability to remain in compliance with our financial maintenance covenants. Based on our current projections, we believe we will be compliant with our financial maintenance covenants for the next twelve months. As of December 31, 2016 and December 31, 2015 , we were in compliance with our financial maintenance covenants under the New Senior Credit Facility and the Senior Credit Facility, respectively.

Contractual Commitments

The following table represents our contractual commitments associated with our debt and other obligations as of December 31, 2016 :

	Calendar Years [1]						
(Amounts in thousands)	2017	2018	2019	2020	2021	Thereafter	Total
10.375% senior unsecured notes [2]	$ 39,319	$ —	$ —	$ —	$ —	$ —	$ 39,319
11.875% senior secured second lien notes [3]	—	—	—	399,357	—	—	399,357
Term loan [4]	25,114	22,500	—	159,786	—	—	207,400
Cerberus 3L notes [5]	—	—	—	—	—	49,663	49,663
Interest on indebtedness [6]	57,847	53,460	53,140	44,096	—	—	208,543
Operating leases [7]	17,866	10,329	5,744	4,636	2,807	7,489	48,871
Liability on uncertain tax positions [8]	—	—	—	3,293	—	—	3,293
Total contractual obligations	$ 140,146	$ 86,289	$ 58,884	$ 611,168	$ 2,807	$ 57,152	$ 956,446

(1) As of December 31, 2016 , there were no amounts outstanding under our Amended Revolver.

(2) Under the credit agreement governing the New Senior Credit Facility, the Indenture governing the New Notes and the Third Lien Credit Agreement, the $39.3 million principal amount to be repaid on the remaining Senior Unsecured Notes may only be paid with the proceeds of new equity, capital contributions or new unsecured debt. sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017.

(3) Amount includes principal balance of $373.4 million as of December 31, 2016 and payable in kind interest to be accumulated as of maturity date.

(4) Under the New Senior Credit Facility, we are required to make an excess cash flow payment on our Term Loan of $25.1 million on or prior to April 5, 2017 and a principal payment $22.5 million on our prior to June 15, 2018 (which amount may be reduced as a result of the application of certain prepayments, including excess cash flow payments, similar to the $22.5 million principal payment for June 15, 2017 that is not required as a result of the excess cash flow payment due on or prior to April 5, 2017). Amounts above for calendar years other than 2017 exclude mandatory principal payments due to excess cash flow requirements. See Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of the payments.

(5) Amount includes principal balance of $30.8 million as of December 31, 2016 and payable in kind interest to be accumulated as of maturity date.

(6) Based on our current debt structure, interest expense was calculated using interest rates of: (i) 10.375% for our Senior Unsecured Notes, (ii) 11.875% on the New Notes comprised of 10.375% per annum in cash and 1.500% per annum payable in kind, (iii) 7.75% for our New Term Loan, (iv) 5.75% for our Letters of Credit currently outstanding and (v) 0.50% for the unused borrowing capacity available under our Amended Revolver.

(7) For additional information about our operating leases, see Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(8) Represents the estimated payments related to the unrecognized tax benefits for the respective year. See Note 4 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Non-GAAP Measures

We define EBITDA as GAAP net loss attributable to Delta Tucker Holdings, Inc. adjusted for interest expense, taxes and depreciation and amortization. Adjusted EBITDA is calculated by adjusting EBITDA for the items described in the table below. We use EBITDA and Adjusted EBITDA as supplemental measures in the evaluation of our business and believe that EBITDA and Adjusted EBITDA provide a meaningful measure of operational performance on a consolidated basis because it eliminates the effects of period to period changes in taxes, costs associated with capital investments and interest expense and is consistent with one of the measures we use to evaluate management's performance for incentive compensation. In addition, all adjustments to arrive at Adjusted EBITDA as presented in the table below correspond to the definition of Consolidated EBITDA used in the New Senior Credit Facility and/or the definition of EBITDA used in the Indenture governing the New Notes to test the permissibility of certain types of transactions, including debt incurrence. Neither EBITDA nor Adjusted EBITDA is a financial measure calculated in accordance with GAAP. Accordingly, they should not be considered in isolation or as substitutes for net loss attributable to Delta Tucker Holdings, Inc. or other financial measures prepared in accordance with GAAP.

Management believes these non-GAAP financial measures are useful in evaluating operating performance and are regularly used by security analysts, institutional investors and other interested parties in reviewing the Company. Non-GAAP financial measures are not intended to be a substitute for any GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of the performance of other companies. When evaluating EBITDA and Adjusted EBITDA, investors should consider, among other factors, (i) increasing or decreasing trends in EBITDA and Adjusted EBITDA, (ii) whether EBITDA and Adjusted EBITDA have remained at positive levels historically, and (iii) how EBITDA and Adjusted EBITDA compare to our debt outstanding. The non-GAAP measures of EBITDA and Adjusted EBITDA do have certain limitations. They do not include interest expense, which is a necessary and ongoing part of our cost structure resulting from the incurrence of debt. EBITDA and Adjusted EBITDA also exclude tax, depreciation and amortization expenses. Because these are material and recurring items, any measure, including EBITDA and Adjusted EBITDA, which excludes them has a material limitation. To mitigate these limitations, we have policies and procedures in place to identify expenses that qualify as interest, taxes, loss on debt extinguishments and depreciation and amortization and to approve and segregate these expenses from other expenses to ensure that EBITDA and Adjusted EBITDA are consistently reflected from period to period. Our calculation of EBITDA and Adjusted EBITDA may vary from that of other companies. Therefore, our EBITDA and Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies. EBITDA and Adjusted EBITDA do not give effect to the cash we must use to service our debt or pay income taxes and thus does not reflect the funds generated from operations or actually available for capital investments.

Delta Tucker Holdings, Inc.
Credit Agreement Adjusted EBITDA Calculation

(Amount in thousands)	For the years ended December 31, 2016	December 31, 2015	December 31, 2014
Net loss attributable to Delta Tucker Holdings, Inc.	$ (54,064)	$ (132,602)	$ (269,780)
Provision (benefit) for income tax	10,138	(8,672)	(20,570)
Interest expense, net of interest income	72,149	68,714	70,562
Depreciation and amortization (1)	35,954	37,254	49,707
EBITDA	64,177	(35,306)	(170,081)
Certain income/expense or gain/loss adjustments per our credit agreements (2)	9,561	119,406	255,613
Employee share based compensation, severance, relocation and retention expense (3)	1,756	7,026	9,531
Cerberus fees (4)	3,053	4,062	2,415
Global Advisory Group expenses (5)	23,057	—	—
Annualized operational efficiencies (6)	—	2,094	8,828
Other (7)	(581)	(1,139)	2,710
Adjusted EBITDA	$ 101,023	$ 96,143	$ 109,016

(1) Includes certain depreciation and amortization amounts which are classified as Cost of services in the consolidated statements of operations of Delta Tucker Holdings, Inc. included elsewhere in this Annual Report on Form 10-K.

(2) Includes the $1.8 million impairment of investment in affiliates and certain costs associated with the Refinancing Transactions in 2016, $86.8 million impairment of goodwill and the impairment of certain intangibles, indefinite-lived tradename and assets held for sale of $9.9 million in 2015, as well as certain unusual income and expense items, as defined in the Indenture and New Senior Credit Facility.

(3) Includes post-employment benefit expense related to severance in accordance with ASC 712 - *Compensation,* relocation expenses, retention expense and share based compensation expense.

(4) Includes Cerberus Operations and Advisory Company expenses, net of recovery.

(5) Reflects Global Advisory Group cost incurred during the year ended December 31, 2016 which we are able to add back to Adjusted EBITDA under the Indenture and New Senior Credit Facility in an aggregate amount up to a total of $30 million.

(6) Represents a defined EBITDA adjustment under the Indenture and Senior Credit Facility for the amount of cost savings, operating expense reductions and synergies projected as a result of specified actions taken or with respect to which substantial steps have been taken during the period. Per the Indenture and New Senior Credit Facility, annualized operational efficiencies are no longer defined as EBITDA adjustments as of the year ended December 31, 2016 .

(7) Includes changes due to fluctuations in foreign exchange rates, earnings from affiliates not received in cash, costs incurred pursuant to ASC 805 - *Business Combination* and other immaterial items.

Off-Balance Sheet Arrangements

As of December 31, 2016 , we did not have any material off-balance sheet arrangements as defined under SEC rules.

Effects of Inflation

We have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer term fixed-price and time-and-materials type contracts typically include sufficient labor and other cost escalations in amounts expected to cover cost increases over the periods of performance. The majority of our contracts are cost-reimbursable type contracts, which consequently, eliminate the impact of inflation. Costs and revenue include an inflationary increase that is commensurate with the general economy in which we operate. As such, Net loss attributable to Delta Tucker Holdings, Inc. has not been materially impacted by inflation.

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, revenues and expenses and the disclosure of related contingent assets and liabilities. These estimates and assumptions are based on information available at the time of the estimates or assumptions, including our historical experience, where relevant. Significant estimates and assumptions are reviewed quarterly by management. The 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 materially differ from the estimates.

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 summary of all of our significant accounting policies, see Note 1 . Management discusses our critical accounting policies and estimates with the Audit Committee of our Board of Directors annually.

Revenue Recognition and Cost Estimation on Long-Term Contracts

General - We are predominantly a services provider and only include products or systems when necessary for the execution of the service arrangement. As such, systems, equipment or materials are not generally separable from the services we provide. Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, the sales price is fixed or determinable (for non-U.S. government contracts) or costs are identifiable, determinable, reasonable and allowable (for our U.S. government contracts), and collectability is reasonably assured (for non-U.S. government contracts) or a reasonable contractual basis for recovery exists (for U.S. government contracts). We apply the appropriate guidance consistently to similar contracts.

Major factors we consider in determining total estimated revenue and cost include the base contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion or proportional methods of accounting. We inherently have risks related to our estimates with long-term contracts. Actual amounts could materially differ from these estimates. We believe the following are inherent to the risk of estimation: (i) assumptions are uncertain and inherently judgmental at the time of the estimate; (ii) use of reasonably different assumptions could have changed our estimates, particularly with respect to estimates of contract revenues, costs and recoverability of assets, and (iii) changes in estimates could have material effects on our financial condition or results of operations. The impact of all of these factors could contribute to a material cumulative adjustment.

Some of our contracts with the U.S. government contain award or incentive fees. We recognize award or incentive fee revenue when we can make reasonably determinable estimates of award or incentive fees to consider them in determining total estimated contract revenue. We do not consider the mere existence of potential award or incentive fee as presumptive evidence that award or incentive fees are to be automatically included in determining total estimated revenue. In some cases, we may not be able to reliably predict whether performance targets will be met, and as a result, we exclude the award or incentive fees from the determination of total revenue in such instances. Our estimate of award or incentive fees may require adjustments from time to time.

We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. Management regularly reviews project profitability and underlying estimates, including total cost to complete a project. For each project, estimates for total project costs are based on such factors as a project's contractual requirements and management's assessment of current and future pricing, economic conditions, political conditions and site conditions. Estimates can be impacted by such factors as additional requirements from our customers, a change in labor markets impacting the availability or cost of a skilled workforce, regulatory changes both domestically and internationally, political unrest or security issues at project locations. Revisions to estimates are reflected in our results of operations as changes in accounting estimates in the periods in which the facts that give rise to the revisions become known by management. See aggregate changes in contract estimates in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We believe long-term contracts, contracts in a loss position and contracts with material award or incentive fees drive the significant potential changes in estimates in our contracts. These estimates are reviewed and assessed quarterly and could result in favorable or unfavorable adjustments.

Federal Government Contracts — For all non-construction and non-software U.S. federal government contracts or contract elements, we apply the guidance in ASC 912 - *Contractors - Federal Government.* We apply the combination and segmentation guidance in ASC 605-35 *Revenue - Construction-Type and Production-Type Contracts* under the guidance of ASC 912 in analyzing the deliverables contained in the applicable contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method or completed-contract method. The completed-contract method is used when reliable estimates cannot be supported for percentage-of-completion method recognition or for short duration projects when the results of operations would not vary materially from those resulting from use of the percentage-of-completion method. Until complete, project costs may be maintained in work-in-progress, a component of inventory.

Revenue is recognized based on progress towards completion over the contract period, measured by either output or input methods appropriate to the services or products provided. For example, "output measures" can include units delivered or produced, such as aircraft for which modification has been completed. "Input measures" can include a cost-to-cost method, such as for procurement-related services.

Other Contracts or Contract Elements — Our contracts with non-federal government customers are predominantly service 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. Arrangement consideration is allocated among the separate units of accounting based on the guidance applicable for the multiple-element arrangements. For arrangements that are entered into or materially modified after January 1, 2011, arrangement considerations are allocated to those identified as multiple-element arrangements based on their relative selling price. Relative selling price is established through 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, and therefore, relative selling price is generally allocated to multiple-element arrangements utilizing management's best estimate of selling price.

Deferred Taxes, Tax Valuation Allowances and Tax Reserves

Our income tax expense, deferred tax assets and liabilities and reserves for uncertain tax positions reflect management's best estimate of future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense. Income tax expense is the amount of tax payable for the period net of the change in deferred tax assets and liabilities during the period.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

In evaluating the realizability of our deferred tax assets, we assess the need for any related valuation allowances or adjust the amount of any allowances, if necessary. Valuation allowances are recognized to reduce the carrying value of deferred tax assets to amounts that we expect are more-likely-than-not to be realized. We assess both positive and negative evidence including the existence of a three year cumulative loss, forecast of future taxable income, and available tax planning strategies that could be implemented to realize the net deferred tax assets in determining the need for or sufficiency of a valuation allowance. Failure to achieve forecasted taxable income in the applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings. Implementation of different tax structures in certain jurisdictions could also impact the need for certain valuation allowances.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in potential assessments. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for open tax years for uncertain tax positions that may be subject to challenge by various tax authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest and penalties as deemed appropriate.

Under ASC 740 - *Income Taxes* , we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information.

ASC 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

We believe we have adequately provided for any reasonably foreseeable outcome related to these matters, and our future results may include favorable or unfavorable adjustments to our estimated tax liabilities. To the extent that the expected tax outcome of these matters changes, such changes in estimate will impact the income tax provision in the period in which such determination is made.

Valuation of Goodwill, Other Intangible Assets and Long-Lived Assets

In accordance with ASC 350-20 - *Intangibles - Goodwill and Other* , we evaluate goodwill and other intangible assets for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. We perform our annual goodwill impairment test each October of our calendar year. We also assess goodwill at the end of a quarter if a triggering event occurs. In determining whether an interim triggering event has occurred, management monitors (i) the actual performance of the business relative to the fair value assumptions used during our annual goodwill impairment test, (ii) and significant changes to future expectations.

We estimate a portion of the fair value of our reporting units under the income approach by utilizing a discounted cash flow model based on several factors including balance sheet carrying values, historical results, our most recent forecasts, and other relevant quantitative and qualitative information. We discount the related cash flow forecasts using the weighted-average cost of capital at the date of evaluation. We also use the market approach to estimate the remaining portion of our reporting unit valuation. This technique utilizes comparative market multiples in the valuation estimate. We estimate the fair value of our reporting units using a combination of the income approach and the market approach. While the income approach has the advantage of utilizing more company specific information, the market approach has the advantage of capturing market based transaction pricing.

Determining the fair value of a reporting unit or an indefinite-lived intangible asset involves judgment and the use of significant estimates and assumptions, particularly related to future operating results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and identification of appropriate market comparable data. Preparation of forecasts and the selection of the discount rate involve significant judgments that we base primarily on existing firm orders, expected future orders, and general market conditions. Significant changes in these forecasts, the discount rate selected, or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill and other intangible assets impairment charge in a future period.

The goodwill for each reporting unit is tested using a two-step process. A reporting unit is an operating segment or a component of an operating segment, as defined by ASC 350-20 - *Intangibles - Goodwill* . A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and is reviewed by operating segment management. The first step in the process of testing goodwill for potential impairment is to compare the carrying value of the reporting unit to its fair value. If upon completion of the analysis, the carrying value exceeds the fair value, the second step is to measure the impairment loss by comparing the implied fair value of goodwill with the carrying value of goodwill of the reporting unit.

Impairment losses for indefinite-lived intangible assets are recognized whenever the estimated fair value is less than the carrying value. Fair values are calculated for trademarks using a "relief from royalty" method, which estimates the fair value of a trademark by determining the present value of estimated royalty payments that are avoided as a result of owning the trademark. This method includes judgmental assumptions about revenue growth, an appropriate royalty rate, and discount rates that have a significant impact on the fair value and are substantially consistent with the assumptions used to determine the fair value of our reporting units discussed above. As of December 31, 2016, the fair value of our remaining reporting units is substantially in excess of the carrying value of each of the remaining reporting units.

The recoverability of long-lived assets, including property and equipment and finite-lived intangible assets, is reviewed when indicators of potential impairments are present. The recoverable value is based upon an assessment of the estimated future cash flows related to those assets, utilizing assumptions similar to those for goodwill. Additional considerations related to our long-lived assets include expected maintenance and improvements, changes in expected uses and ongoing operating performance and utilization. An impairment loss is recognized if the asset value is not determined to be recoverable. See Note 2 and Note 3 for further discussion.

Commitments and Contingencies

We are involved in various lawsuits and claims that arise in the normal course of business. Amounts associated with lawsuits and claims are reserved for matters in which it is believed that losses are probable and can be reasonably estimated. Reserves related to such matters have been recorded in "Other accrued liabilities." When only a range of amounts is established and no amount within the range is more probable than another, the lower end of the range is recorded. Legal fees are expensed as incurred.

Recent Accounting Pronouncements

The information regarding recent accounting pronouncements is included in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

Our exposure to market risk is primarily related to losses that could potentially arise as a result of adverse changes in interest and foreign currency exchange rates. See "Item 1A. Risk Factors" for further discussion of the market risks we may encounter.

Interest Rate Risk

We have interest rate risk primarily related to changes in interest rates on our variable rate debt. We manage our exposure to movements in interest rates through the use of a combination of fixed and variable rate debt.

As of December 31, 2016 , we had 68.1% of our debt at a fixed rate and 31.9% at a variable rate. Our 10.375% Senior Unsecured Notes, which had an aggregate principal amount of $39.3 million and $455 million outstanding as of December 31, 2016 and December 31, 2015 , respectively, and our 11.875% senior secured second lien New Notes and Cerberus 3L Notes, which had an aggregate principal amount of $373.4 million and $30.8 million , respectively, outstanding as of December 31, 2016 , represent our fixed rate debt.

Our New Term Loan and Amended Revolver represent our variable rate debt. As of December 31, 2016 and December 31, 2015 , the balance of our New Term Loan and Term Loan was $207.4 million and $187.3 million , respectively, and we had no borrowings under the Amended Revolver and the Revolver. Borrowings under our variable rate debt bear interest, based on our option, at a rate per annum equal to LIBOR plus the applicable rate or the Base Rate plus the applicable rate. As of December 31, 2016 , both the New Term Loan and the Amended Revolver have an interest rate floor of 1.75% for LIBOR borrowings and 2.75% for Base Rate borrowings. The New Term Loan bears interest, based on our option, equal to either the Base Rate or the Eurocurrency Rate, in each case, plus (i) 5.00% in the case of Base Rate loans and (ii) 6.00% in the case of Eurocurrency Rate loans. The New Term Loan interest rate at December 31, 2016 was made up of a 6.00% applicable rate plus a 1.75% floor totaling 7.75% . The interest rate per annum applicable to the class B revolving loans bear interest, based on our option, equal to either a Base Rate or a Eurocurrency Rate plus (i) a range of 4.50% to 5.00% based on the First Lien Secured Leverage Ratio in the case of Base Rate loans and (ii) a range of 5.50% to 6.00% based on the First Lien Secured Leverage Ratio in the case of Eurocurrency Rate loans. Under the New Senior Credit Facility, if LIBOR increases over 1.75% and we continue to have no outstanding Revolver borrowings, each 25 basis point increase would result in $0.5 million in additional interest expense annually.

As of December 31, 2015 , we had 70.8% of our debt at a fixed rate and 29.2% at a variable rate. As of December 31, 2015 , both the Term Loan and the Revolver had an interest rate floor of 1.75% for LIBOR borrowings and 2.75% for Base Rate borrowings. The Term Loan interest rate at December 31, 2015 was made up of a 4.50% applicable rate plus a 1.75% floor totaling 6.25% . See Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Foreign Currency Exchange Rate Risk

We are exposed to changes in foreign currency rates. At present, we do not utilize any derivative instruments to manage risk associated with foreign currency exchange rate fluctuations. The functional currency of certain foreign operations is the local currency. Accordingly, these foreign entities translate assets and liabilities from their local currencies to U.S. dollars using year-end exchange rates, while income and expense accounts are translated at the average rates in effect during the year. The resulting translation adjustment is recorded in Accumulated other comprehensive loss. Our foreign currency transactional gains and losses were not material for the years ended December 31, 2016 and December 31, 2015 , respectively.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of
Delta Tucker Holdings, Inc.
McLean, Virginia

We have audited the accompanying consolidated balance sheets of Delta Tucker Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Delta Tucker Holdings, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Fort Worth, Texas
March 29, 2017

DELTA TUCKER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands)	For the years ended December 31, 2016	December 31, 2015	December 31, 2014
Revenue	$ 1,836,154	$ 1,923,177	$ 2,252,309
Cost of services	(1,636,331)	(1,721,679)	(2,072,865)
Selling, general and administrative expenses	(139,531)	(144,675)	(146,881)
Depreciation and amortization expense	(34,889)	(34,986)	(48,582)
Earnings from equity method investees	1,066	140	10,077
Impairment of goodwill, intangibles and long lived assets	(1,782)	(96,696)	(214,004)
Operating income (loss)	24,687	(74,719)	(219,946)
Interest expense	(72,361)	(68,824)	(70,783)
Loss on early extinguishment of debt	(328)	—	(1,362)
Interest income	212	110	221
Other income, net	4,935	3,968	3,680
Loss before income taxes	(42,855)	(139,465)	(288,190)
(Provision) benefit for income taxes	(10,138)	8,672	20,570
Net loss	(52,993)	(130,793)	(267,620)
Noncontrolling interests	(1,071)	(1,809)	(2,160)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (54,064)	$ (132,602)	$ (269,780)

See notes to consolidated financial statements

DELTA TUCKER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Net loss	$ (52,993)	$ (130,793)	$ (267,620)
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	(233)	(122)	(131)
Other comprehensive loss, before tax	(233)	(122)	(131)
Income tax benefit related to items of other comprehensive loss	83	43	47
Other comprehensive loss	(150)	(79)	(84)
Comprehensive loss	(53,143)	(130,872)	(267,704)
Comprehensive loss attributable to noncontrolling interests	(1,071)	(1,809)	(2,160)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (54,214)	$ (132,681)	$ (269,864)

See notes to consolidated financial statements

DELTA TUCKER HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)	As of December 31, 2016	As of December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 118,218	$ 108,782
Restricted cash	7,664	721
Accounts receivable, net of allowances of $17,189 and $16,283, respectively	300,255	386,097
Prepaid expenses and other current assets	65,694	55,683
Assets held for sale	—	7,913
Total current assets	491,831	559,196
Property and equipment, net	16,636	15,694
Goodwill	42,093	42,093
Tradenames, net	28,536	28,536
Other intangibles, net	84,069	113,479
Long-term deferred taxes	—	13,364
Other assets, net	13,372	12,327
Total assets	$ 676,537	$ 784,689
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 62,843	$ 184,866
Accounts payable	69,742	90,610
Accrued payroll and employee costs	95,580	100,681
Deferred income taxes	—	27,334
Accrued liabilities	104,078	114,718
Liabilities held for sale	—	784
Income taxes payable	9,303	8,130
Total current liabilities	341,546	527,123
Long-term debt	569,613	452,165
Long-term deferred taxes	14,825	—
Other long-term liabilities	12,490	13,571
Total liabilities	938,474	992,859
DEFICIT		
Common stock, $0.01 par value – 1,000 shares authorized and 100 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively.	—	—
Additional paid-in capital	555,163	554,379
Accumulated deficit	(822,045)	(767,981)
Accumulated other comprehensive loss	(510)	(360)
Total deficit attributable to Delta Tucker Holdings, Inc.	(267,392)	(213,962)
Noncontrolling interests	5,455	5,792
Total deficit	(261,937)	(208,170)
Total liabilities and deficit	$ 676,537	$ 784,689

See notes to consolidated financial statements

DELTA TUCKER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Cash flows from operating activities			
Net loss	$ (52,993)	$ (130,793)	$ (267,620)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	35,954	37,254	49,707
Amortization of deferred loan costs and original issue discount	5,951	6,534	6,129
Allowance for losses on accounts receivable	1,751	(814)	3,182
Loss on early extinguishment of debt	328	—	1,362
Impairment of goodwill, intangibles and long-lived assets	1,782	96,696	214,004
Earnings from equity method investees	(1,088)	(3,979)	(12,368)
Distributions from equity method investees	1,020	2,565	9,739
Deferred income taxes	855	(11,811)	(22,650)
Share based compensation	86	379	3,184
Other	746	2,277	275
Changes in assets and liabilities:			
Restricted cash	—	939	—
Accounts receivable	85,842	61,462	125,458
Prepaid expenses and other current assets	(6,012)	12,329	40,650
Accounts payable and accrued liabilities	(34,318)	(58,965)	(124,964)
Income taxes payable	1,249	5,499	(711)
Net cash provided by operating activities	41,153	19,572	25,377
Cash flows from investing activities			
Purchase of property and equipment	(5,346)	(3,179)	(8,712)
Proceeds from sale of property and equipment	832	526	44
Purchase of software	(2,634)	(1,555)	(1,631)
Restriction on cash related to Cerberus 3L Notes	(6,943)	—	—
Return of capital from equity method investees	2,557	4,590	5,625
Contributions to equity method investees	(5,406)	(3,117)	—
Net cash used in investing activities	(16,940)	(2,735)	(4,674)
Cash flows from financing activities			
Borrowings on revolving credit facilities	18,000	218,800	118,000
Payments on revolving credit facilities	(18,000)	(218,800)	(208,000)
Payments on senior secured credit facility	(187,272)	—	—
Borrowing under new senior credit facility	192,882	—	—
Borrowing under Cerberus 3L notes	30,000	—	—
Payment to bondholders for Exchange Offer	(45,000)	—	—
Payments of deferred financing cost	(4,998)	—	(1,740)
Borrowings under other financing arrangements	—	—	20,214
Payments under other financing arrangements	—	(2,055)	(24,321)
Equity contribution from affiliates of Cerberus	550	1,000	—
Payment of dividends to noncontrolling interests	(939)	(1,004)	(1,697)
Net cash used in financing activities	(14,777)	(2,059)	(97,544)
Net increase (decrease) in cash and cash equivalents	9,436	14,778	(76,841)
Cash and cash equivalents, beginning of period	108,782	94,004	170,845
Cash and cash equivalents, end of period	$ 118,218	$ 108,782	$ 94,004
Income taxes paid, net of receipts	$ (7,810)	$ (2,718)	$ (4,601)
Interest paid	$ (61,213)	$ (62,025)	$ (65,045)

See notes to consolidated financial statements

DELTA TUCKER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

(Amounts in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficit) Attributable to Delta Tucker Holdings, Inc.	Noncontrolling Interests	Total Equity (Deficit)
Balance at December 31, 2013	—	$ —	$ 549,581	$ (365,599)	$ (197)	$ 183,785	$ 5,875	$ 189,660
Share based compensation, net	—	—	3,184	—	—	3,184	—	3,184
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	—	—	—	(269,780)	(84)	(269,864)	2,160	(267,704)
DIFZ financing, net of tax	—	—	129	—	—	129	—	129
Dividends declared to noncontrolling interest	—	—	—	—	—	—	(2,546)	(2,546)
Balance at December 31, 2014	—	$ —	$ 552,894	$ (635,379)	$ (281)	$ (82,766)	$ 5,489	$ (77,277)
Share based compensation, net	—	—	379	—	—	379	—	379
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	—	—	—	(132,602)	(79)	(132,681)	1,809	(130,872)
Capital contribution	—	—	1,000	—	—	1,000	—	1,000
DIFZ financing, net of tax	—	—	106	—	—	106	—	106
Dividends declared to noncontrolling interest	—	—	—	—	—	—	(1,506)	(1,506)
Balance at December 31, 2015	—	$ —	$ 554,379	$ (767,981)	$ (360)	$ (213,962)	$ 5,792	$ (208,170)
Share based compensation, net	—	—	86	—	—	86	—	86
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	—	—	—	(54,064)	(150)	(54,214)	1,071	(53,143)
Capital contribution	—	—	550			550	—	550
DIFZ financing, net of tax	—	—	148	—	—	148	—	148
Dividends declared to noncontrolling interest	—	—	—	—	—	—	(1,408)	(1,408)
Balance at December 31, 2016	—	$ —	$ 555,163	$ (822,045)	$ (510)	$ (267,392)	$ 5,455	$ (261,937)

See notes to consolidated financial statements

Note 1 — Significant Accounting Policies and Accounting Developments

Unless the context otherwise indicates, references herein to "we," "our," "us," or "the Company" refer to Delta Tucker Holdings, Inc. and our consolidated subsidiaries. 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"). Since Cerberus Capital Management, L.P. ("Cerberus") indirectly owns all of our outstanding equity, DynCorp International's stock is no longer publicly traded as of the Merger.

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

Pending Debt Maturities

As described further in Note 7, the credit agreement governing the New Senior Credit Facility contains a provision that would result in all outstanding principal under the New Term Loan and the class B revolving facility maturing on May 8, 2017 if by May 8, 2017 all of the outstanding principal of the Senior Unsecured Notes has not been extended to a date that is on or after October 6, 2020 , or all of the outstanding principal and accrued and unpaid interest of the Senior Unsecured Notes have not been paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility.

The Company has received a support letter from Cerberus (the “Support Letter”) committing to fund the redemption of all outstanding Senior Unsecured Notes on or before May 5, 2017 with the proceeds of new equity or capital contributions (the “New Cerberus Financing”). The Support Letter is irrevocable and unconditional, except in the limited circumstances of a material adverse change in the operations, liabilities or financial condition of DynCorp International and its subsidiaries, taken as a whole, as a result of pending or threatened claims, litigation or judgments between the date of the Support Letter and May 5, 2017 in excess of any accruals or reserves reflected in the Company’s audited financial statements as of December 31, 2016 (the “Material Adverse Change Condition”). We have therefore sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017 , in which case the maturity dates of the New Term Loan and the class B revolving facility would remain at July 7, 2020 and July 7, 2019 , respectively, and not be accelerated.

Fiscal Year

The Company's quarterly periods end on the last Friday of the calendar quarter, except for the fourth quarter of the fiscal year, which ends on December 31. These financial statements reflect our financial results for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

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 ("FASB") Accounting Standards Codification ("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 segments and operationally integral to the business, our share of the joint venture’s earnings is reported within operating loss in Earnings from equity method investees in the consolidated statement of operations. If the Company considers our involvement less significant, the 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.

Partnership for Temporary Housing LLC ("PaTH")	30%
Contingency Response Services LLC ("CRS")	45%
Global Response Services LLC ("GRS")	51%
Global Linguist Solutions LLC ("GLS")	51%

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

Babcock DynCorp Limited ("Babcock")	44%

Noncontrolling Interests

We record the impact of our partners' interests in less than wholly owned consolidated joint ventures as noncontrolling interests. Currently, DynCorp International FZ-LLC ("DIFZ") is our only consolidated joint venture for which we do not own 100% of the entity. In March 2012, we entered into a non-cash dividend distribution transaction with Cerberus Series Four Holdings, LLC and Cerberus Partners II, L.P., in which we distributed half of our 50% ownership in DIFZ. We now hold 25% ownership interest in DIFZ. We continue to consolidate DIFZ as we still exercise power over activities that significantly impact DIFZ's economic performance and have the obligation to absorb losses or receive benefits of DIFZ that could potentially be significant to DIFZ. Noncontrolling interests is presented on the face of the consolidated statements of operations as an increase or reduction in arriving at "Net loss attributable to Delta Tucker Holdings, Inc." Noncontrolling interests is located in the equity section on the consolidated balance sheets. See Note 12 for further information regarding DIFZ.

Revenue Recognition and Cost Estimation on Long-Term Contracts

General - We are predominantly a services provider and only include products or systems when necessary for the execution of the service arrangement. As such, systems, equipment or materials are not generally separable from the services we provide. Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, the sales price is fixed or determinable (for non-U.S. government contracts) or costs are identifiable, determinable, reasonable and allowable (for our U.S. government contracts), and collectability is reasonably assured (for non-U.S. government contracts) or a reasonable contractual basis for recovery exists (for U.S. government contracts). Our contracts typically fall into the following two categories with the first representing substantially all of our revenue: (i) federal government contracts and (ii) other contracts. We apply the appropriate guidance consistently to all contracts.

Major factors we consider in determining total estimated revenue and cost include the base contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion or proportional methods of accounting. We inherently have risks related to our estimates with long-term contracts. Actual amounts could materially differ from these estimates. We believe the following are the risks associated with our estimation process: (i) assumptions are uncertain and inherently judgmental at the time of the estimate; (ii) use of reasonably different assumptions could have changed our estimates, particularly with respect to estimates of contract revenues, costs and recoverability of assets, and (iii) changes in estimates could have material effects on our financial condition or results of operations. The impact of any one of these factors could contribute to a material cumulative adjustment.

Some of our contracts with the U.S. government contain award or incentive fees. We recognize award or incentive fee revenue when we can make reasonably determinable estimates of award or incentive fees to consider them in determining total estimated contract revenue. We do not consider the mere existence of potential award or incentive fees as presumptive evidence that award or incentive fees are to be included in determining total estimated revenue. In some cases, we may not be able to accurately predict whether performance targets will be met, and as such, we exclude the award or incentive fees from the determination of total revenue in such instances. Our accrual of award or incentive fees may require adjustments from time to time.

We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. Management regularly reviews project profitability and underlying estimates, including total cost to complete a project. For each project, estimates for total project costs are based on such factors as a project's contractual requirements and management's assessment of current and future pricing, economic conditions, political conditions and site conditions. Estimates can be impacted by such factors as additional requirements from our customers, a change in labor markets impacting the availability or cost of a skilled workforce, regulatory changes both domestically and internationally, political unrest or security issues at project locations. Revisions to estimates are reflected in our consolidated results of operations as changes in accounting estimates in the periods in which the facts that give rise to the revisions become known by management. We believe long-term contracts, contracts in a loss position and contracts with material award fees drive the significant changes in estimates in our contracts.

The preparation of the financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period that they are determined. Changes in contract estimates related to certain types of contracts accounted for using the percentage of completion method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can occur over the life of a contract for a variety of reasons, including changes in scope, estimated incentive or award fees, cost estimates, level of effort and/or other assumptions impacting revenue or cost to perform a contract. The gross favorable and unfavorable adjustments below reflect these changes in contract estimates during each reporting period, excluding new or completed contracts where no comparative estimates exist between reporting periods.

The following table presents the aggregate gross favorable and unfavorable adjustments to loss before income taxes resulting from changes in contract estimates, for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

	For the years ended		
(Amounts in millions)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Gross favorable adjustments	$ 27.9	$ 29.2	$ 7.4
Gross unfavorable adjustments	(31.8)	(3.3)	(53.9)
Net adjustments	$ (3.9)	$ 25.9	$ (46.5)

Federal Government Contracts — For all non-construction and non-software U.S. federal government contracts or contract elements, we apply the guidance in ASC 912 - *Contractors - Federal Government.* We apply the combination and segmentation guidance in ASC 605-35 *Revenue - Construction-Type and Production-Type Contracts* under the guidance of ASC 912 in analyzing the deliverables contained in the applicable contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method or completed-contract method. The completed-contract method is used when reliable estimates cannot be supported for percentage-of-completion method recognition or for short duration projects when the results of operations would not vary materially from those resulting from use of the percentage-of-completion method. Until complete, project costs may be maintained in work-in-progress, a component of inventory.

Revenue is recognized based on progress towards completion over the contract period, measured by either output or input methods appropriate to the services or products provided. For example, "output measures" can include units delivered or produced, such as aircraft for which modification has been completed. "Input measures" can include a cost-to-cost method, such as for procurement-related services.

Other Contracts or Contract Elements — Our contracts with non-federal government customers are predominantly service 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. Arrangement consideration is allocated among the separate units of accounting based on the guidance applicable for the multiple-element arrangements. Arrangements that are entered into or materially modified after January 1, 2011, are allocated to those identified as multiple-element arrangement based on their relative selling price which is established through vendor specific objective evidence (“VSOE”), third party evidence, or management’s best estimate. Due to the customized nature of our arrangements, VSOE and third party evidence is generally not available. Therefore, our post-January 1, 2011 arrangements allocate the relative selling price to multiple-element arrangements utilizing management’s best estimate of selling price.

Cash and Cash Equivalents

For purposes of reporting cash and cash equivalents, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents cash restricted by certain contracts and available for use to pay specified costs and vendors on work performed on specific contracts. On some contracts, advance payments are not available for use and cash is to be disbursed for specified costs for work performed on the specific contract. Changes in restricted cash related to our contracts are included as operating activities within our consolidated statement of cash flows.

In June 2016, we received $30 million in cash for the Cerberus 3L Notes under the Third Lien Credit Agreement. The proceeds are restricted to pay fees and expenses in support of or related to the Company's Global Advisory Group. As of December 31, 2016 , the Company classified the restricted cash related to the Third Lien Credit Agreement as a current asset. The increase and decrease of restricted cash related to the Third Lien Credit Agreement are included as investing activities within our consolidated statement of cash flows. See Note 7 for further discussion.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis, including but not limited to, those relating to allowances for doubtful accounts, fair value and impairment of intangible assets and goodwill, income taxes, stock based compensation, profitability on contracts, anticipated contract modifications, contingencies and litigation. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts against specific billed receivables based upon the latest information available to determine whether invoices are ultimately collectible. Such information includes the historical trends of write-offs and recovery of previously written-off accounts, the financial strength of the respective customer and projected economic and market conditions. The evaluation of these factors involves subjective judgments and changes in these factors may cause an increase to our estimated allowance for doubtful accounts, which could impact our consolidated financial statements by incurring bad debt expense. Given that we primarily serve the U.S. government, we believe the risk is low that changes in our allowance for doubtful accounts would result in a material impact on our financial results.

Property and Equipment

The cost of property and equipment, less applicable residual values, is depreciated using the straight-line method. Depreciation commences when the specific asset is complete, installed and ready for normal use. Depreciation related to equipment purchased for specific contracts is typically included within Cost of services, as this depreciation is directly attributable to project costs. We evaluate property and equipment for impairment quarterly by examining factors such as existence, functionality, obsolescence and physical condition. In the event we experience impairment, we revise the useful life estimate and record the impairment to arrive at a revised net book value. Our standard depreciation and amortization policies are as follows:

Aircraft	5 years
Computers and related equipment	3 to 5 years
Leasehold improvements	Shorter of lease term or useful life
Office furniture and fixtures	2 to 10 years
Vehicles	2 to 10 years

Customer Related Intangible Assets

The initial values assigned to customer-related intangibles were the result of fair value calculations associated with business combinations. The values were determined based on estimates and judgments regarding expectations for the estimated future after-tax cash flows from those assets over their lives, including the probability of expected future contract renewals and sales, less a cost-of-capital charge, all of which was discounted to present value. We evaluate the carrying value of our customer-related intangibles within the asset group representing the lowest level of identifiable cash flows whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The customer related intangible carrying value is considered impaired when the anticipated undiscounted cash flows from such asset group is less than its carrying value. In that case, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Indefinite-Lived Assets and Goodwill

Indefinite-lived assets, including goodwill and indefinite-lived tradename, are not amortized but are subject to an annual impairment test. We evaluate goodwill and indefinite lived tradename for impairment annually in the first month of the fourth quarter of each fiscal year and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. The first step of the impairment test compares the fair value of each of our reporting units with its carrying amount, including indefinite-lived assets. If the fair value of a reporting unit exceeds its carrying amount, the indefinite-lived assets of the reporting unit are not considered impaired, and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of the impairment loss, if any.

Income Taxes

We file income, franchise, gross receipts and similar tax returns in many jurisdictions. Our tax returns are subject to audit by the Internal Revenue Service, within most states in the U.S., and by various government agencies representing several jurisdictions outside the U.S.

We use the asset and liability approach for financial accounting and reporting for income taxes in accordance with GAAP. Deferred income tax assets and liabilities are computed quarterly for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is made up of current expense which includes both permanent and temporary differences and deferred expense which only includes temporary differences. Income tax expense is the amount of tax payable for the period plus or minus the change in deferred tax assets and liabilities during the period.

We perform a comprehensive review of our portfolio of uncertain tax positions regularly. The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. A liability is recorded when a benefit is recognized for a tax position and it is not more-likely-than-not that the position will be sustained on its technical merits or where the position is more-likely-than-not that it will be sustained on its technical merits, but the largest amount to be realized upon settlement is less than 100% of the position.

To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. Tax-related interest is included within interest expense and tax-related penalties are included within income tax expense in our consolidated statements of operations. See Note 4 regarding income taxes.

Share Based Compensation

We recognize compensation expense in the financial statements for all share based arrangements. Share based compensation cost is measured at the date of grant, based on the fair value of the award, and is recognized over the employee's requisite service period. See Note 9 for further discussion on share based compensation.

Currency Translation

The assets and liabilities of our subsidiaries outside the U.S. that have a currency other than the U.S. dollar are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Results of operations and cash flow items for these subsidiaries are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions and the re-measurement of the financial statements of U.S. functional currency foreign subsidiaries are recognized currently in Cost of services and Other income, net, respectively and those resulting from translation of financial statements are included in accumulated other comprehensive loss. Our foreign currency transactional gains and losses were not material for the calendar years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

Operating Segments

In October 2016, the Company amended its organizational structure. The Company’s previous two operating and reporting segments, DynAviation and DynLogistics, were re-aligned into three operating and reporting segments: Aviation Engineering, Logistics, and Sustainment ("AELS"), Aviation Operations and Life Cycle Management ("AOLC") and DynLogistics. Our chief operating decision maker, Chief Executive Officer Lewis Von Thaer, assesses performance and allocates resources based upon the separate financial information around the Company’s operating segments, which is comprised of numerous contracts.

Recently Adopted Accounting Standards

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* , which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the financial statements are issued on both an interim and annual basis. If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity’s ability to continue as a going concern for a period of one year following the date its financial statements are issued. Disclosure should include the principal conditions or events that raise substantial doubt, management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations, and management’s plans that are intended to alleviate those conditions or events. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and for interim reporting periods thereafter and early adopted is permitted. We adopted ASU 2014-15 as of December 31, 2016 . The adoption of ASU 2014-15 did not have a material impact on our consolidated financial statements or disclosures.

In January 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-01, *Income Statement-Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* ASU 2015-01 eliminates from GAAP the concept of extraordinary items. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and may be applied either prospectively or retrospectively to all prior periods presented in the financial statements. We prospectively adopted ASU No. 2015-01 during the year ended December 31, 2016 . The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* ASU 2015-02 changes the consolidation guidance to address concerns of stakeholders that current accounting for certain legal entities might require a reporting entity to consolidate another legal entity in situations in which the reporting entity's contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity's voting rights, or the reporting entity is not exposed to a majority of the legal entity's economic benefits or obligations. ASU 2015-02 will be effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. We retrospectively adopted ASU No. 2015-02 during the year ended December 31, 2016 . The adoption of this standard did not have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* ASU 2015-03 requires that deferred financing costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset, consistent with debt discounts. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update is effective for fiscal years beginning after December 15, 2015, and required retrospective application. We adopted ASU 2015-03 during the year ended December 31, 2016 and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of current deferred financing costs, net, of $2.4 million related to our term loan (the "Term Loan") under the Senior Credit Facility (as defined in Note 7) and revolving credit facility under the Senior Credit Facility (the "Revolver") from prepaid expenses and other current assets to the current portion of long-term debt and the reclassification of deferred financing costs, net, of $2.8 million related to our Senior Unsecured Notes from total other assets, net, to long-term debt within our Consolidated Balance Sheets as of December 31, 2015 . Adoption of this standard did not impact the results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* , which eliminated the previous requirement to present deferred tax liabilities and assets as current and noncurrent amounts in a classified statement of financial position. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent in a statement of financial position. This standard is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We adopted and prospectively applied ASU No. 2015-17 during the year ended December 31, 2016 . Prior periods were not retroactively adjusted. Adoption of this standard did not impact the results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810): Interests held through Related Parties that are under Common Control* , which alters how a decision maker needs to consider indirect interests in a variable interest entity held through an entity under common control and simplifies that analysis to require consideration of only an entity's proportionate indirect interest in a VIE held through a common control party. ASU 2016-17 amends ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis,* adopted by the Company during the year ended December 31, 2016 , which did not have a material impact upon the consolidated financial position, results of operations or cash flows. The Company adopted and applied ASU 2016-17 during the year ended December 31, 2016 . The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Developments

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which outlines a single set of comprehensive principles for recognizing revenue under GAAP. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which deferred the effective date of ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* . ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* . ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* . ASU 2016-12 clarifies the revenue recognition guidance regarding collectability, noncash consideration, presentation of sales tax and transition. These ASUs apply to all entities that enter into contracts with customers to transfer goods or services. These ASUs are effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply these ASUs either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying these standards at the date of initial application and not adjusting comparative information. We are currently evaluating both methods of adoption as well as the effect these standards will have on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory.* ASU 2015-11 requires an entity who measures inventory using FIFO or average cost to measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs. The update is effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2016 and applied prospectively. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the potential effects of the adoption of ASU 2015-11 on our consolidated financial position.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* . The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases* . ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Entities are required to adopt ASU 2016-02 using a modified retrospective approach, subject to certain optional practice expedients, and apply the provisions of ASU 2016-02 to leasing arrangements existing at or entered into after the earliest comparative period presented in the financial statements. We are currently evaluating the potential effects of the adoption of ASU 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting.* ASU 2016-07 simplifies the equity method by eliminating the requirement to apply it retrospectively to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments are effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016 and applied prospectively. Early adoption is permitted. We are currently evaluating the potential effects of the adoption of ASU 2016-07 on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* , which is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the existing incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019 and applied using a prospective transition approach for debt securities for which an other-than-temporary impairment had been recognized before the effective date. We are currently evaluating the potential effects of the adoption of ASU 2016-13 on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* . ASU 2016-15 provides guidance on how certain cash receipts and payments are presented and classified in the statement of cash flows. The standard is intended to reduce current diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 and will require a retrospective approach. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the potential effects of the adoption of ASU 2016-15 on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Accounting for Income Taxes: Intra-entity Asset Transfers of Assets Other than Inventory* , which requires that an entity recognize the tax expense from the sale of intra-entity sales of assets, other than inventory, in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. ASU 2016-16 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017 and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the potential effects of the adoption of ASU 2016-16 on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* . ASU 2016-18 clarifies the guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flow. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and will be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the potential effects of the adoption of ASU 2016-18 on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* . ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. ASU 2017-01 is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. We are currently evaluating the potential effects of the adoption of ASU 2017-01 on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* , which eliminates Step 2 from the goodwill impairment test. ASU 2017-04 modifies the concept of goodwill impairment to represent the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for goodwill impairment testing for interim and annual periods beginning after December 15, 2019, and requires a prospective transition. Early adoption is permitted for interim and annual goodwill impairment tests performed after January 1, 2017. We are currently evaluating the potential effects of the adoption of ASU 2017-04 on our consolidated financial statements and related disclosures.

Other accounting standards updates effective after December 31, 2016 are not expected to have a material effect on our consolidated financial position or annual results of operations and cash flows.

Note 2 — Composition of Certain Financial Statement Captions

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

Prepaid expenses and other current assets

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Prepaid expenses	$ 39,895	$ 30,985
Income tax refunds receivable	—	204
Inventories	18,451	14,776
Work-in-process inventory, net	164	1,733
Joint venture receivables	84	460
Other current assets	7,100	7,525
Total prepaid expenses and other current assets	$ 65,694	$ 55,683

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets. The increase in prepaid expenses is primarily due to the timing of payments.

We value our inventory at lower of cost or market. Inventory increased from $14.8 million as of December 31, 2015 to $18.5 million as of December 31, 2016 in preparation of a pursuit of a U.S. Air Force contract. Work-in-process inventory includes equipment for vehicle modifications for specific customers, a significant portion of which were completed and delivered as of December 31, 2016 and other deferred costs related to certain contracts.

We adopted ASU 2015-03 during the year ended December 31, 2016 and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of current deferred financing costs, net, of $2.4 million related to our Term Loan and Revolver under our Senior Credit Facility from Prepaid expenses and other current assets to the current portion of long-term debt within its consolidated balance sheets as of December 31, 2015 . See Note 7 for a tabular presentation of our deferred financing costs, net, classified by debt balance, as of December 31, 2016 and December 31, 2015 . See Note 1 for further discussion.

Held for Sale Assets and Liabilities

During 2015, we took strategic actions to begin the sale of the remaining assets of Heliworks LLC ("Heliworks"). As of December 31, 2015 , Assets held for sale of $7.9 million consisted primarily of accounts receivable, inventory, property and equipment, net, and intangible assets and Liabilities held for sale of $0.8 million consisted primarily of accounts payables and accruals. Since 2015 we took certain steps and sold certain assets, but at the end of the second quarter of 2016 we re-evaluated our Heliworks strategic plan and determined that the remaining assets could be utilized in support of our other contracts and therefore we will no longer pursue the sale of Heliworks. The remaining Heliworks assets and liabilities previously classified as held for sale as of December 31, 2015 were reclassified to the applicable asset and liability accounts stated above during the year ended December 31, 2016 . As part of the reclassification, we recorded catch-up depreciation on any previously depreciable assets during the year ended December 31, 2016 totaling $0.3 million .

Property and equipment, net

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Aircraft	$ 2,997	$ 1,723
Computers and related equipment	7,161	6,390
Leasehold improvements	20,934	18,847
Office furniture and fixtures	5,499	5,335
Vehicles	3,430	3,260
Gross property and equipment	40,021	35,555
Less accumulated depreciation	(23,385)	(19,861)
Total property and equipment, net	$ 16,636	$ 15,694

As of December 31, 2016 and December 31, 2015 , Property and equipment, net, also included the accrual for property additions of $0.3 million and $0.3 million , respectively. Depreciation expense was $4.2 million , $5.8 million and $5.7 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively, including certain depreciation amounts classified as Cost of services. See Note 11 for additional discussion.

Other assets, net

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Investment in affiliates	$ 7,825	$ 6,712
Palm promissory notes, long-term portion	2,034	2,079
Other	3,513	3,536
Total other assets, net	$ 13,372	$ 12,327

We adopted ASU 2015-03 during the year ended December 31, 2016 and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of deferred financing costs, net, of $2.8 million related to our Senior Unsecured Notes from Other assets, net, to Long-term debt within its consolidated balance sheets as of December 31, 2015 . See Note 7 for a tabular presentation of our deferred financing costs, net, classified by debt balance, as of December 31, 2016 and December 31, 2015 . See Note 1 for further discussion.

Investment in affiliates increased from $6.7 million as of December 31, 2015 to $7.8 million as of December 31, 2016 primarily due to contributions to GLS, partially offset by a $1.8 million impairment recorded against our investment in affiliates as of December 31, 2016 , as our investment in GLS had a loss in value that was other than temporary.

Accrued payroll and employee costs

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Wages, compensation and other benefits	$ 82,062	$ 85,216
Accrued vacation	12,462	14,433
Accrued contributions to employee benefit plans	1,056	1,032
Total accrued payroll and employee costs	$ 95,580	$ 100,681

Accrued liabilities

(Amounts in thousands)	As of December 31, 2016	As of December 31, 2015
Customer liability	$ 20,762	$ 21,183
Accrued insurance	26,201	35,530
Accrued interest	25,807	24,370
Contract losses	10,912	15,718
Legal reserves	4,597	5,063
Subcontractor retention	250	1,646
Other	15,549	11,208
Total accrued liabilities	$ 104,078	$ 114,718

Customer liabilities represent amounts received from customers in excess of revenue recognized or for amounts due back to a customer. The decrease in accrued insurance is primarily due to the timing of payments and the closing of certain insurance policies with our carriers. Contract losses represent our best estimate of forward losses using currently available information and could change in future periods as new facts and circumstances emerge. Changes to the provision for contract losses are presented in Cost of services on our Consolidated Statement of Operations. Legal matters include reserves related to various lawsuits and claims that arise in the normal course of business. See Note 8 for further discussion. Other is comprised primarily of accrued rent and workers compensation related claims and other balances that are not individually material to the consolidated financial statements.

Other long-term liabilities

As of December 31, 2016 and December 31, 2015 , Other long-term liabilities were $12.5 million and $13.6 million , respectively. Other long-term liabilities are primarily due to our long-term incentive bonus plan and nonqualified unfunded deferred compensation plan of $4.3 million and $4.4 million as of December 31, 2016 and December 31, 2015 , respectively, and a long-term leasehold obligation related to our Tysons Corner facility in McLean, Virginia, of $3.3 million and $3.8 million as of December 31, 2016 and December 31, 2015 , respectively. Other long-term liabilities also include an uncertain tax benefit of $3.3 million as of December 31, 2016 and December 31, 2015 . See Note 4 for further discussion.

Note 3 — Goodwill, Other Intangible Assets and Long-Lived Assets

In October 2016, the Company amended its organizational structure to improve efficiencies within existing businesses, capitalize on new opportunities, continue international growth and expand commercial business. The Company's two operating and reporting segments, DynAviation and DynLogistics, were re-aligned into three operating and reporting segments: AELS, AOLC and DynLogistics. Each operating and reportable segment is its own reporting unit. Of our three reporting units, only the DynLogistics reporting unit had a goodwill balance as of December 31, 2016 which we assess for potential goodwill impairment.

Prior to October 2016, we had two operating and reporting segments: DynAviation and DynLogistics. Our previous structure included five reporting units: two reporting units in DynAviation and three reporting units in DynLogistics. Of these five reporting units, only two DynLogistics reporting units had goodwill balances as of December 31, 2015 .

We assess goodwill and other intangible assets with indefinite lives for impairment annually in the first month of the fourth quarter and when an event occurs or circumstances change that would suggest a triggering event. If a triggering event is identified, a step one assessment is performed to identify any possible impairment in the period in which the event is identified.

We estimate the fair value of our reporting units using a combination of the income approach and the market approach. Under the income approach, we utilize a discounted cash flow model based on several factors including balance sheet carrying values, historical results, our most recent forecasts, and other relevant quantitative and qualitative information. We discount the related cash flow forecasts using the weighted-average cost of capital at the date of evaluation. Under the market approach, we utilize comparative market multiples in the valuation estimate. While the income approach has the advantage of utilizing more company specific information, the market approach has the advantage of capturing market based transaction pricing. The estimates and assumptions used in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties.

Determining the fair value of a reporting unit or an indefinite-lived intangible asset involves judgment and the use of significant estimates and assumptions, particularly related to future operating results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and identification of appropriate market comparable data. Preparation of forecasts and the selection of the discount rate involve significant judgments that we base primarily on existing firm orders, expected future orders, and general market conditions. Significant changes in these forecasts, the discount rate selected, or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units or indefinite-lived intangible assets and could result in an impairment charge in a future period. In addition, the identification of reporting units and the allocation of assets and liabilities to the reporting units or asset groups when determining the carrying value of each reporting unit or indefinite-lived intangible assets also requires judgment. All of these factors are subject to change with a change in the defense industry or larger macroeconomic environment.

Our revenue is predominantly from contracts and subcontracts with the U.S. government and its agencies. The continuation and renewal of our existing government contracts and new government contracts are, among other things, contingent upon the availability of adequate funding for various U.S. government agencies, including the Department of Defense ("DoD") and the Department of State ("DoS"). Funding for our programs is dependent upon the annual budget and the appropriation decisions assessed by Congress, which are beyond our control. Estimates and judgments made by management, as it relates to the fair value of our reporting units or indefinite-lived intangible assets, could be impacted by the continued uncertainty over the defense industry.

During our annual goodwill impairment test as of October 2016, we concluded that there were no triggering events identified in our remaining reporting units and the estimated fair values of each of our remaining reporting units substantially exceeded their respective carrying values. The projections for these reporting units include significant estimates related to new business opportunities which are the basis for the discount rate assumptions currently applied and we have assessed this risk as one of the variables in establishing the discount rate. If we are unsuccessful in obtaining these opportunities in 2017, a triggering event could be identified and a step one assessment would be performed to identify any possible goodwill impairment in the period in which the event is identified.

The fair value of the reporting units and the assets and liabilities identified in the impairment test were determined using the combination of the income approach and the market approach, which are Level 3 and Level 2 inputs, respectively. See Note 10 for further discussion of fair value. In calculating the fair value of the remaining reporting units, we used unobservable inputs and management judgment which are Level 3 fair value measurements. We used the following estimates and assumptions in the discounted cash flow analysis:

- terminal value growth rates based on real rates of growth and inflationary growth;
- terminal earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, as a percentage of revenue reflecting forecasted EBITDA margins;
- discount rates based on weighted-average cost of capital; and
- assumptions regarding future capital expenditures.

The market approach analysis utilized observable level 2 inputs as it considered the inputs of other comparable companies.

The carrying amount of goodwill, by segment, was as follows:

(Amounts in thousands)	AELS	AOLC	DynLogistics	Total
Balance as of December 31, 2014	$ 86,795	$ —	$ 42,093	$ 128,888
Impairment of goodwill	(86,795)		—	(86,795)
Balance as of December 31, 2015	—	—	42,093	42,093
Impairment of goodwill	—	—	—	—
Balance as of December 31, 2016	$ —	$ —	$ 42,093	$ 42,093

Since the Merger, accumulated goodwill impairment was $700.4 million as of December 31, 2016 and December 31, 2015 . Since the Merger, AELS, AOLC and DynLogistics accumulated goodwill impairment was $149.0 million , $293.4 million and $197.9 million , respectively, for the years ended December 31, 2016 and December 31, 2015 . Since the Merger, the former GLS segment accumulated goodwill impairment was $60.1 million , and is no longer considered a segment for the years ended December 31, 2016 and December 31, 2015 .

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

(Amounts in thousands, except years)	As of December 31, 2016 Weighted Average Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net
Other intangible assets:				
Customer-related intangible assets	3.0	$ 252,615	$ (172,242)	$ 80,373
Other				
Finite-lived	1.0	14,238	(10,542)	3,696
Total other intangibles		$ 266,853	$ (182,784)	$ 84,069
Tradenames:				
Finite-lived	0.0	$ 869	$ (869)	$ —
Indefinite-lived		28,536	—	28,536
Total tradenames		$ 29,405	$ (869)	$ 28,536

(Amounts in thousands, except years)	As of December 31, 2015 Weighted Average Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Impairment	Transfer to Assets Held for Sale	Net
Other intangible assets:						
Customer-related intangible assets	4.0	$ 252,615	$ (142,020)	$ —	$ —	$ 110,595
Other						
Finite-lived	0.7	13,325	(10,430)	—	(11)	2,884
Indefinite-lived		5,059	—	(5,059)	—	—
Total other intangibles		$ 270,999	$ (152,450)	$ (5,059)	$ (11)	$ 113,479
Tradenames:						
Finite-lived	0.0	$ 869	$ (869)	$ —	$ —	$ —
Indefinite-lived		28,700	—	(164)	—	28,536
Total tradenames		$ 29,569	$ (869)	$ (164)	$ —	$ 28,536

Amortization expense for customer-related intangibles, other intangibles, and finite-lived tradenames was $31.8 million , $31.4 million and $44.0 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. Other intangibles is primarily representative of our capitalized software which had a net carrying value of $3.7 million and $2.9 million as of December 31, 2016 and December 31, 2015 , respectively.

During 2015, we took strategic actions to no longer utilize or maintain our FAA Part 135 certification and Commercial Aviation Review Board ("CARB") approval. As a result, a non-cash impairment charge of approximately $3.9 million was recorded during the year ended December 31, 2015 to fully impair the carrying value of the intangible asset. The impairment charge has been presented within the Impairment of goodwill, intangibles and long lived assets in the consolidated statement of operations for the year ended December 31, 2015 . Further, Heliworks finite-lived intangible assets were classified as held for sale as of December 31, 2015 .

During the year ended December 31, 2015 , we concluded a triggering event had occurred when we obtained a letter of intent to sell the held for sale assets and liabilities of Heliworks. We assessed the fair market value of the Heliworks assets excluded from the letter of intent which included the FAA Part 145 certification indefinite-lived intangible asset and the Heliworks indefinite-lived tradename and concluded that the estimated fair value of each asset was less than its carrying value. As a result of our fair value assessment, we recognized a $1.1 million and $0.2 million impairment expense in year ended December 31, 2015 , to fully impair the carrying value of the indefinite-lived intangible asset and the indefinite-lived tradename, respectively, which is included within the impairment of goodwill, intangibles and long lived assets within our consolidated statement of operations. We used unobservable inputs and management judgment, which are Level 3 fair value measurements, to determine that the fair value of the assets were zero since there are no expected future cash flows expected. At the end of the second quarter of 2016 we re-evaluated our Heliworks strategic plan and determined that the remaining assets could be utilized in support of our other contracts and therefore we will no longer pursue the sale of Heliworks.

The following table outlines an estimate of future amortization based upon the finite-lived intangible assets owned at December 31, 2016 :

	Amortization Expense (1)
Estimate for calendar year 2017	$ 29,524
Estimate for calendar year 2018	21,746
Estimate for calendar year 2019	21,506
Estimate for calendar year 2020	11,050
Estimate for calendar year 2021	243
Thereafter	—

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

Note 4 — Income Taxes

The domestic and foreign components of Loss before income taxes are as follows:

	For the years ended		
(Amounts in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Domestic	$ (45,100)	$ (143,446)	$ (286,799)
Foreign	2,245	3,981	(1,391)
Loss before income taxes	$ (42,855)	$ (139,465)	$ (288,190)

The (Provision) benefit for income taxes consists of the following:

	For the years ended		
(Amounts in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Current portion:			
Federal	$ —	$ —	$ 311
State	(775)	(550)	(800)
Foreign	(8,424)	(7,391)	(3,363)
	(9,199)	(7,941)	(3,852)
Deferred portion:			
Federal	163	16,024	23,001
State	37	388	739
Foreign	(1,139)	201	682
	(939)	16,613	24,422
(Provision) benefit for income taxes	$ (10,138)	$ 8,672	$ 20,570

Temporary differences, which give rise to deferred tax assets and liabilities, were as follows:

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Deferred tax assets related to:		
Workers' compensation accrual	$ 5,007	$ 8,430
Accrued vacation	3,780	3,586
Completion bonus allowance	6,260	4,984
Accrued severance	354	1,494
Accrued executive incentives	8,396	6,754
Legal reserve	1,645	1,812
Allowance for doubtful accounts	8,366	8,942
Accrued health costs	3,414	2,798
Contract loss reserve	5,083	7,107
Other accrued liabilities and reserves	6,619	8,195
Partnership / joint venture basis differences	3,629	4,731
Foreign tax credit carryforward	30,495	25,571
Net operating loss carryforward	4,222	2,793
Other carryforwards	1,393	816
Uncertain tax positions	943	943
Goodwill and other intangible assets	52,477	37,015
Valuation allowance	(88,806)	(71,616)
Total deferred tax assets	53,277	54,355
Deferred tax liabilities related to:		
Prepaid insurance	(6,865)	(3,942)
Indefinite lived intangibles	(15,473)	(15,473)
Unbilled receivables	(45,764)	(48,910)
Total deferred tax liabilities	(68,102)	(68,325)
Total deferred tax liabilities, net	$ (14,825)	$ (13,970)

Deferred tax assets and liabilities are reported as:

	As of	
(Amounts in thousands)	December 31, 2016	December 31, 2015
Current deferred tax liabilities, net	$ —	$ (27,334)
Non-current deferred tax (liabilities) assets, net	(14,825)	13,364
Deferred tax liabilities, net	$ (14,825)	$ (13,970)

We adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* , during the year ended December 31, 2016 which eliminates the current requirement to present deferred tax liabilities and assets as current and noncurrent amounts in a classified statement of financial position and requires us to classify all deferred tax assets and liabilities as noncurrent in a statement of financial position. We applied ASU 2015-17 prospectively and prior periods were not retroactively adjusted.

Management assesses both the available positive and negative evidence to determine whether it is more likely than not that there will be sufficient sources of future taxable income to recognize deferred tax assets. We incurred cumulative losses over the three-year period ended December 31, 2016 . Cumulative losses in recent years are considered significant objective negative evidence in evaluating deferred tax assets under the more likely than not criteria for recognition of deferred tax assets. As a result of additional losses for which we could not recognize a tax benefit, the typical current year movement within deferred balances, and most notably, the tax effects of the refinancing transactions described in Note 7 (the "Refinancing Transactions"), we increased our valuation allowance from $71.6 million as of December 31, 2015 to $88.8 million as of December 31, 2016 .

As of December 31, 2016 we had $9.1 million of U.S. federal net operating losses available for use compared to $5.0 million U.S. federal net operating losses available for use as of December 31, 2015 . As of December 31, 2016 and December 31, 2015 , we had state net operating losses ("NOLs") of approximately $131.0 million and $133.7 million , respectively, most of which will begin to expire in 2020 or later. We had approximately $30.5 million and $25.6 million as of December 31, 2016 and December 31, 2015 , respectively, in foreign tax credit carryforwards ("FTCs") which began to expire in 2016 . Additionally, we made no estimated federal income tax payments for the year ended December 31, 2016 and we received an expected federal income tax refund relating to amended returns filed in previous years. Other than the federal income tax refund discussed above, all income taxes paid or refunds received during the year ended December 31, 2016 related to state or foreign jurisdictions. We made no estimated federal income tax payments for the year ended December 31, 2015 .

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

	For the years ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Statutory rate	35.0 %	35.0 %	35.0 %
State income tax, less effect of federal deduction	(1.7)%	(0.1)%	— %
Noncontrolling interests	0.9 %	0.5 %	0.3 %
Goodwill impairment (1)	— %	(11.6)%	(11.2)%
Uncertain tax positions	— %	— %	0.1 %
Nondeductible meals and entertainment	(2.2)%	(0.7)%	(0.3)%
Nondeductible expenses	(2.7)%	(0.2)%	(0.5)%
Valuation allowance	(52.9)%	(16.7)%	(16.2)%
Other	(0.1)%	— %	(0.1)%
Effective tax rate	(23.7)%	6.2 %	7.1 %

(1) Includes non-cash impairment charges to goodwill for years ended December 31, 2015 and December 31, 2014 , respectively. See Note 3 for further discussion.

Due to the nature of our business, as a provider of professional and technical government services to the U.S. government, foreign earnings are generally exempt from foreign tax due to various bi-lateral agreements often referred to as Status of Forces Agreements ("SOFA") and Status of Mission Agreements ("SOMA") or their equivalents. We repatriate and provide U.S. income taxes on virtually all income we earn outside of the United States.

Uncertain Tax Positions

We account for uncertain tax positions in accordance with ASC 740 - *Income Taxes* , which prescribes the more likely than not threshold for recognition of a tax position in the financial statements. The amount of unrecognized tax benefits at December 31, 2016 and December 31, 2015 was $2.6 million and $2.6 million , respectively, of which $2.3 million and $2.3 million , respectively, would impact our effective tax rate if recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Amounts in thousands)		Unrecognized Tax Benefits
Balance at December 31, 2014	$	7,340
Additions for tax positions related to prior years		—
Reductions for tax positions of prior years		(112)
Settlements		—
Remeasurements		—
Net releases		—
Lapse of statute of limitations		(4,594)
Balance at December 31, 2015	$	2,634
Additions for tax positions related to prior years		—
Reductions for tax positions of prior years		—
Settlements		—
Remeasurements		—
Net releases		—
Lapse of statute of limitations		—
Balance at December 31, 2016	$	2,634

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the consolidated balance sheet. For the years ended December 31, 2016 and December 31, 2015 , there was no accrued interest related to unrecognized tax benefits in interest expense and no penalties recognized in the provision for income taxes within our consolidated statements of operations. We do not expect the unrecognized tax benefit of $3.3 million , inclusive of penalties, as of December 31, 2016 to be settled within the next 12 months.

We file income tax returns in U.S. federal and state jurisdictions and in various foreign jurisdictions which are subject to examinations by the IRS and other taxing authorities. These audits can result in adjustments of taxes due. Our estimate of the potential outcome of any uncertain tax issue prior to audit is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. An unfavorable result under audit may reduce the amount of state net operating losses we have available for carryforward to offset future taxable income, or may increase the amount of tax due for the period under audit, resulting in an increase to the effective rate in the year of resolution. The statute of limitations is open for U.S. federal income tax returns for our fiscal year 2013 forward. The statute of limitations for state income tax returns is open for our fiscal year 2013 forward, with few exceptions, and the statute of limitations for foreign income tax examinations is open for calendar year 2011 forward, with few exceptions.

Note 5 — Accounts Receivable

Accounts Receivable, net consisted of the following:

	As of			
(Amounts in thousands)	December 31, 2016		December 31, 2015	
Billed	$	93,409	$	136,127
Unbilled		206,846		249,970
Total	$	300,255	$	386,097

Unbilled receivables related to costs incurred on projects for which we have been requested by the customer to begin new work or extend work under an existing contract and for which formal contracts, contract modifications or other contract actions have not been executed as of the end of the respective periods increased from $21.3 million as of December 31, 2015 to $26.7 million as of December 31, 2016 primarily due to contracts within our AELS segment.

As of December 31, 2016 , we had three contract claims outstanding totaling $2.4 million , net of reserves. As of December 31, 2015 , we had four contract claims with no associated receivable balances. The balance of unbilled receivables consists of costs and fees that are: (i) billable immediately; (ii) billable on contract completion; or (iii) billable upon other specified events, such as the resolution of a request for equitable adjustment or formal claim. We expect for substantially all unbilled receivables to be billed and collected within one year, except items that may result in or that are currently involved in a request for equitable adjustment or formal claim.

We do not believe we have significant exposure to credit risk as our receivables are primarily with the U.S. government. Our allowance for doubtful accounts increased from $16.3 million as of December 31, 2015 to $17.2 million as of December 31, 2016 , which includes outstanding receivables of approximately $26.0 million , net of reserves, for which we have yet to be paid where we operated under a subcontract for a prime contractor on a U.S. government program that ended December 31, 2014 . We are currently seeking payment through legal action to resolve the matter. See Note 8 for further discussion.

Note 6 — Retirement Plans

401(k) Savings Plans

The DynCorp International Savings Plan (the "Savings Plan") is a participant-directed, defined contribution, 401(k) plan for the benefit of employees meeting certain eligibility requirements. The Savings Plan is intended to qualify under Section 401(a) of the U.S. Internal Revenue Code (the "Code") and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under the Savings Plan, participants may contribute from 1% to 50% of their earnings. Contributions are made on a pre-tax or Roth basis, limited to annual maximums set by the Code. The current maximum contribution per employee is $18,000 and the catch-up contribution limit for participants age 50 or older is $6,000 per calendar year. Company matching contributions are also made in an amount equal to 100% of the first 2% of employee contributions and 50% of the next 4% , up to $10,600 per calendar year, which are invested in various funds at the discretion of the participant, and vests in three equal 33.3% installments over three years based on the employee's annual hire date anniversary.

We incurred Savings Plan expense of approximately $8.8 million , $9.2 million and $11.9 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. A portion of the Savings Plan expense has been presented within Cost of services, with the remainder in Selling, general and administrative expenses in the consolidated statement of operations. All Savings Plan expenses are fully funded.

Nonqualified Unfunded Deferred Compensation Plan

The Company has a non-qualified unfunded and unsecured deferred compensation plan that is offered to certain members of management allowing for the deferral of salary and bonuses without the statutory limitations present in 401(k) savings plan. The elections under the savings plans must be completely separate and independent of each other. Under the deferred compensation plan for the years ended December 31, 2016 and December 31, 2015 , the deferral amount limitation is 100% of salary and 100% of bonuses and each participant shall be 100% vested in his or her account, at all times. The funds can be distributed the first day of the calendar month following the six -month anniversary of the participant's separation from the Company. The participant can elect payout of the funds in a single sum or annual installments over 5 or 10 years; however, only one election can be made with respect to all of the deferrals in the respective account. If, for any reason, the participant fails to make a valid and timely election, the participant's account shall be distributed as a single sum as of the participant's benefit commencement date. There were no contributions made to the deferred compensation plan on behalf of the Company for years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

Multiemployer Pension Plans

We are subject to several collective-bargaining-agreements ("CBAs") that require contributions to a multiemployer defined benefit pension plan that covers its union-represented employees. We contribute to this plan based on specified hourly rates for eligible hours. The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If we stop participating in the multiemployer plan, we may be required to pay a withdrawal liability based on our portion of the unfunded vested benefits of the plan.

As of December 31, 2016 , we had approximately 10,700 personnel, of which approximately 2,600 , or 24.7% of our personnel, are employees represented by labor unions. We are subject to 28 CBAs which have various expiration dates, with the longest expiring in September 2021 . Approximately 7.8% of our personnel are covered by a CBA that will expire in one year. Of the 28 CBAs, we have 14 significant CBAs that require contributions to the International Association of Machinists National Pension Fund ("IAMNPF") with expiration dates ranging from June 30, 2017 through August 31, 2020 . As long as we remain a contributing employer, we have no liability for any unfunded portion of this plan. However, if for any reason, we stop making contributions to the plan under any of the individual CBAs, we could be assessed a potential withdrawal liability based on our share of the unfunded vested benefits of the plan. Our share of the unfunded vested benefits is determined by the contributions required under the individual CBAs from which we withdraw relative to the contributions made to the plan as a whole.

Our participation in the IAMNPF for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 is outlined in the table below. The "EIN/PN" column provides the Employee Identification Number ("EIN") and the three-digit plan number ("PN"). The most recent Pension Protection Act ("PPA") zone status available for 2016, 2015 and 2014 is for the plan year-ends as indicated below. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates if the plan has a financial improvement plan ("FIP") or a rehabilitation plan ("RP") which is either pending or has been implemented. In addition to regular plan contributions, we may be subject to a surcharge if the plan is in the red zone. The "Surcharge Imposed" column indicates whether a surcharge has been imposed on contributions to the plan. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

		PPA Zone Status (2)			FIP / RP Status Pending /	Total Contributions of DynCorp International (Amounts in thousands)			Surcharge	Expiration Date of
Pension Fund	**EIN/PN**	**2016**	**2015**	**2014**	**Implemented**	**2016**	**2015**	**2014**	**Imposed**	**CBA**
IAMNPF (1)	516031295 / 001	Green	Green	Green	No	$9,534	$9,341	$6,845	No	6/30/2017 through 8/31/2020

(1) Of the 14 collective-bargaining agreements that require contributions to this plan, the agreement with International Association of Machinists ("IAM") union employees at Andrews Air Force Base is the most significant as contributions under this plan for years 2017 through the expiration date of the collective-bargaining agreement will approximate $3.9 million , or 23% of all required contributions to the IAMNPF.

(2) Unless otherwise noted, the most recent PPA zone status available in 2016, 2015 and 2014, is for the plan's year-end status for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. The zone status is based on information we receive from the plan and is certified by the plan's actuary. Generally, plans in the red zone are less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded.

Note 7 — Debt

Debt consisted of the following:

	As of December 31, 2016			
(Amounts in thousands)	Carrying Amount	Original Issue Discount on Term Loan	Deferred Financing Costs, Net	Carrying Amount less Original Issue Discount on Term Loan and Deferred Financing Costs, Net
10.375% senior unsecured notes	$ 39,319	$ —	$ —	$ 39,319
11.875% senior secured second lien notes	373,385	—	(1,581)	371,804
Term loan	207,400	(12,570)	(4,248)	190,582
Cerberus 3L notes	30,831	—	(80)	30,751
Total indebtedness	650,935	(12,570)	(5,909)	632,456
Less current portion of long-term debt	(64,433)	1,364	226	(62,843)
Total long-term debt	$ 586,502	$ (11,206)	$ (5,683)	$ 569,613

	As of December 31, 2015		
(Amounts in thousands)	Carrying Amount	Deferred Financing Costs, Net	Carrying Amount less Deferred Financing Costs, Net
10.375% senior unsecured notes	$ 455,000	$ (2,835)	$ 452,165
Term loan	187,272	(2,406)	184,866
Total indebtedness	642,272	(5,241)	637,031
Less current portion of long-term debt	(187,272)	2,406	(184,866)
Total long-term debt	$ 455,000	$ (2,835)	$ 452,165

We adopted ASU 2015-03 during the year ended December 31, 2016 and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of current deferred financing costs, net, of $2.4 million related to our Term Loan and Revolver under our Senior Credit Facility from Prepaid expenses and other current assets to the current portion of long-term debt and the reclassification of deferred financing costs, net, of $2.8 million related to our Senior Unsecured Notes from Other assets, net, to Long-term debt within its consolidated balance sheets as of December 31, 2015 . See Note 1 for further discussion.

Deferred financing costs are amortized through interest expense. Amortization related to deferred financing costs was $4.0 million , $6.5 million , and $6.1 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively.

Deferred financing costs for the year ended December 31, 2016 were reduced $0.3 million related to the pro rata write-off of deferred financing costs to loss on early extinguishment of debt as a result of the $4.6 million in principal prepayment made on the term loan facility under the Senior Credit Facility and the completion of the Refinancing Transactions.

New Senior Credit Facility

On July 7, 2010 , we entered into a senior secured credit facility (the "Senior Credit Facility"), with a banking syndicate and Bank of America, N.A. as Administrative Agent (the "Agent"). On January 21, 2011 , August 10, 2011 , June 19, 2013 and November 5, 2014 , DynCorp International entered into amendments to the Senior Credit Facility.

On April 30, 2016 , we entered into Amendment No. 5 ("Amendment No. 5") to the Senior Credit Facility which provided for a new senior secured credit facility (the "New Senior Credit Facility") upon the satisfaction of certain conditions, including the consummation of the Exchange Offer and the other Refinancing Transactions. Pursuant to Amendment No. 5, required lenders under the Senior Credit Facility agreed to temporarily waive the requirement to comply with the covenant that the Company's annual financial statements include a report from its independent registered public accounting firm without a qualification as to the Company's ability to continue as a going concern until the earlier of the effectiveness of the New Senior Credit Facility (at which time the temporary waiver of this requirement for the fiscal year ended December 31, 2015 would become permanent) and June 30, 2016 (the "Senior Credit Facility Waiver"). On June 15, 2016 , we satisfied the conditions set forth in Amendment No. 5, and therefore, on June 15, 2016 , the New Senior Credit Facility became effective, and the Senior Credit Facility Waiver for the year ended December 31, 2015 became permanent. On August 22, 2016 , we entered into Amendment No. 6 to the credit agreement governing the New Senior Credit Facility, which made certain technical amendments to a reporting covenant agreed to in Amendment No. 5. As amended, the covenant permits the Company's annual financial statements to include a report from its independent registered public accounting firm with a qualification as to the Company's ability to continue as a going concern for the fiscal year ending December 31, 2016 that relates solely to the maturity of the Senior Unsecured Notes, the New Term Loan and/or the class B revolving facility.

The New Senior Credit Facility is secured by substantially all of our assets and guaranteed by substantially all of our subsidiaries. As of December 31, 2016 , the New Senior Credit Facility provided for the following:

- a $207.4 million new term loan facility (the "New Term Loan");
- a $85.8 million class B revolving facility (or "class B revolving commitments"); and
- up to $15.0 million in incremental revolving facilities provided by and at the discretion of certain non-debt fund affiliates that are controlled by Cerberus (as defined herein), which shall rank pari passu with, and be on the same terms as, the class B revolving facility.

The New Term Loan was subject to a 700 basis point fee, totaling approximately $14.4 million , which is reflected as an original issue discount in the balance of the New Term Loan as of December 31, 2016 and classified as a financing activity in our Consolidated Statements of Cash Flows for the year ended December 31, 2016 . The original issue discount is amortized through interest expense. Amortization related to the original issue discount was $1.9 million for the year ended December 31, 2016 .

Our New Senior Credit Facility provided for a $24.8 million class A revolving facility, (or "class A revolving commitments") which terminated on July 7, 2016 (the class A and class B revolving commitments, together, the "Amended Revolver"). Availability under the Amended Revolver during the two years immediately after June 15, 2016 will be subject to a condition that, if, at the time of a request for revolving loans, the aggregate principal amount of revolving loans plus the face amount of outstanding letters of credit exceeds 50% of the aggregate amount of Amended Revolver commitments at such time, the aggregate amount of unrestricted cash and cash equivalents of DynCorp International and its subsidiaries (giving pro forma effect to requested revolving loans and any application of proceeds thereof or other cash on hand) may not exceed $60 million .

As of December 31, 2016 and December 31, 2015 , the available borrowing capacity under the New Senior Credit Facility and the Senior Credit Facility was approximately $48.0 million and $102.2 million , respectively, and included $37.8 million and $42.6 million , respectively, in issued letters of credit. Amounts borrowed under the Amended Revolver and Revolver are used to fund operations. As of December 31, 2016 and December 31, 2015 there were no amounts borrowed under the Amended Revolver and Revolver. The class B revolving facility and the New Term Loan mature on July 7, 2019 and July 7, 2020 , respectively. See further discussion of potential maturity date acceleration below.

Interest Rates on Term Loan & Revolver

Under the Senior Credit Facility, both the Term Loan and Revolver bore 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 was fixed at 3.5% for the Base Rate option and 4.5% for the Eurocurrency Rate option. The applicable margin for the Revolver ranged 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 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 $75.0 million of unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, depreciation and amortization ("Consolidated EBITDA"), as defined in the Senior Credit Facility. Interest payments on both the Term Loan and Revolver were payable at the end of the interest period as defined in the Senior Credit Facility, but not less than quarterly.

Under the New Senior Credit Facility, the interest rate per annum applicable to the New Term Loan is, at our option, equal to either the Base Rate or the Eurocurrency Rate, in each case, plus (i) 5.00% in the case of Base Rate loans and (ii) 6.00% in the case of Eurocurrency Rate loans. The interest rate per annum applicable to the class B revolving facility is, at our option, equal to either a Base Rate or a Eurocurrency Rate plus (i) a range of 4.50% to 5.00% based on the First-Lien Secured Leverage Ratio in the case of Base Rate loans and (ii) a range of 5.50% to 6.00% based on the First-Lien Secured Leverage Ratio in the case of Eurocurrency Rate loans. The First Lien Secured Leverage Ratio is calculated by the ratio of total first lien secured consolidated debt (net of up to $75.0 million of unrestricted cash and cash equivalents) to Consolidated EBITDA, as defined in the New Senior Credit Facility. The interest rate per annum applicable to the class A revolving commitments, which terminated on July 7, 2016 , remained the same as the Revolver under the Senior Credit Facility. Interest payments on both the New Term Loan and Amended Revolver are payable at the end of the interest period as defined in the New Senior Credit Facility, but not less than quarterly.

Under the Senior Credit Facility and the New Senior Credit Facility, the Base Rate is equal to the higher of (a) the Federal Funds Rate (as defined in Amendment No. 5) plus one half of one percent and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. 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% .

Under the Senior Credit Facility, the Eurocurrency Rate was 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 Agent from time to time) two business days prior to the commencement of such interest period. The variable Eurocurrency Rate had a floor of 1.75% .

Under the New Senior Credit Facility, the Eurocurrency Rate is the rate per annum equal to the London Interbank Offered Rate (“LIBOR”) as published on the applicable Bloomberg screen page (or other commercially available source providing quotations of LIBOR as designated by the Administrative Agent from time to time) two London Banking Days (as defined in Amendment No. 5) prior to the commencement of such interest period. The variable Eurocurrency Rate has a floor of 1.75% .

As of December 31, 2016 and December 31, 2015 , the applicable interest rate on the New Term Loan and the Term Loan was 7.75% and 6.25% , respectively.

Interest Rates on Letter of Credit Subfacility and Unused Commitment Fees

Under the Senior Credit Facility, the letter of credit subfacility bore interest at an applicable rate that ranged from 4.0% to 4.5% . The unused commitment fee on our Revolver ranged from 0.50% to 0.75% depending on the Secured Leverage Ratio. Interest payments on both the letter of credit subfacility and unused commitments were payable quarterly in arrears. All of our letters of credit under the Senior Credit Facility and the New Senior Credit Facility are also subject to a 0.25% fronting fee.

Under the New Senior Credit Facility, the letter of credit subfacility bears interest at an applicable rate that ranges from 4.0% to 4.5% with respect to the class A revolving commitments and ranges from 5.5% to 6.0% with respect to the class B revolving commitments. The unused commitment fee on our Amended Revolver ranges from 0.50% to 0.75% on the undrawn amount of the facility depending on the Secured Leverage Ratio with respect to the class A revolving commitments and depending on the First Lien Secured Leverage Ratio with respect to the class B revolving commitments. Interest payments on both the letter of credit subfacility and unused commitments are payable quarterly in arrears. We will also pay customary letter of credit and agency fees.

The applicable interest rates for our letter of credit subfacility was 5.75% as of December 31, 2016 . The applicable interest rate for our letter of credit subfacility was 4.25% as of December 31, 2015 . The applicable rate for our unused commitment fees was 0.50% with respect to the class B revolving commitments as of December 31, 2016 and 0.50% with respect to the class A revolving commitments prior to their termination on July 7, 2016 . The applicable interest rate for our unused commitment fees was 0.50% as of December 31, 2015 .

Principal Payments

The credit agreement governing the Senior Credit Facility and New Senior Credit Facility contains an annual requirement to submit a portion of our Excess Cash Flow, as defined in the credit agreement, as additional principal payments. Based on our annual financial results for the year ended December 31, 2015 , we made an additional principal payment as required under the Excess Cash Flow provision of $4.6 million on April 6, 2016 . Based on our annual financial results for the year ended December 31, 2016 we are required to make an additional principal payment of $25.1 million under the Excess Cash Flow requirement by April 5, 2017 . Certain other transactions can trigger mandatory principal payments such as tax refunds, a disposition of a portion of our business or a significant asset sale. We had no such transactions during the year ended December 31, 2016 .

The New Senior Credit Facility requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 100% of excess cash flow (as defined in Amendment No. 5) less the amount of certain voluntary prepayments as described in Amendment No. 5; and
- 100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, if we do not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 6 months (and, if committed to be so reinvested, actually reinvested within 12 months).

We are permitted to voluntarily repay outstanding loans under the New Senior Credit Facility at any time without premium or penalty, other than customary “breakage” costs with respect to Eurocurrency loans.

Maturity and Amortization

Under the New Senior Credit Facility, we are required to make amortization payments with respect to the New Term Loan of $22.5 million on or prior to June 15, 2017 and $22.5 million on or prior to June 15, 2018 , which amounts may be reduced as a result of the application of certain prepayments, including our Excess Cash Flow payment. As a result of the additional principal payment of $25.1 million under the Excess Cash Flow requirement, we will not be required to make any additional principal payment on the New Term Loan for the June 15, 2017 $22.5 million principal payment requirement. The current portion of long-term debt as of December 31, 2016 includes our Excess Cash Flow Payment of $25.1 million due on April 5, 2017 and all of the outstanding Senior Unsecured Notes which, as further described below, must be refinanced or repaid with the proceeds of new equity, capital contributions or new unsecured debt by May 8, 2017 .

The principal amount of the New Term Loan may be reduced as a result of prepayments, with the remaining amount payable on July 7, 2020 . The New Senior Credit Facility contains a provision that would result in all outstanding principal under the New Term Loan maturing on May 8, 2017 if by May 8, 2017 , all of the outstanding principal of the Senior Unsecured Notes has not been extended to a date that is on or after October 6, 2020 , or all of the outstanding principal and accrued and unpaid interest of the Senior Unsecured Notes have not been paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. Similar provisions with regards to the outstanding Senior Unsecured Notes are included in the Indenture governing the New Notes and the Third Lien Credit Agreement, which provide that the remaining Senior Unsecured Notes may only be paid with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Notes and the Cerberus 3L Notes (and we may not exchange any such remaining Senior Unsecured Notes into secured obligations of any kind). In addition, under the New Senior Credit Facility, any such new debt must mature after the maturity date of the New Term Loan, and under the Indenture and the Third Lien Credit Agreement, any such new debt must mature after the maturity date of the New Notes.

Principal amounts outstanding under the class B revolving facility will be due and payable in full on, and the commitments in respect thereof will terminate on, July 7, 2019 . The same springing maturity provision impacting the New Term Loan as described above also applies to the class B revolving facility with respect to addressing the Senior Unsecured Notes by May 8, 2017 .

As described in Note 1, we have received the Support Letter from Cerberus committing to fund the New Cerberus Financing and have sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017 , in which case the maturity dates of the New Term Loan and the class B revolving facility would remain at July 7, 2020 and July 7, 2019 , respectively, and not be accelerated.

Guarantee and Security

The guarantors of the obligations under the New Senior Credit Facility are identical to those under the New Notes and the Cerberus 3L Notes and substantially similar to those under the Senior Unsecured Notes (as described in more detail in Note 11). The New Senior Credit Facility is secured on a first lien basis by the same collateral that secures the New Notes on a second lien basis and the Cerberus 3L Notes on a third lien basis.

Covenants

The New Senior Credit Facility contains a number of financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. These covenants, among other things, limit our ability to:

- incur additional indebtedness;
- create liens on assets;
- enter into sale and leaseback transactions;
- make investments, loans, guarantees or advances;
- make certain acquisitions;
- sell assets;
- engage in mergers or acquisitions;
- pay dividends and make distributions or repurchase capital stock;
- repay certain other indebtedness;
- enter into agreements that restrict the ability of our subsidiaries to pay dividends;
- engage in certain transactions with affiliates;
- change the business conducted by us or our subsidiaries;
- amend our organizational documents;
- change our accounting policies or reporting practices or our fiscal year; and
- make capital expenditures.

In addition, the New Senior Credit Facility requires us to maintain a maximum total leverage ratio and a minimum interest coverage ratio. The New Senior Credit Facility also requires, solely for the benefit of the lenders under the Amended Revolver, for us to maintain minimum liquidity (based on availability of revolving credit commitments under the New Senior Credit Facility plus unrestricted cash and cash equivalents) as of the end of each fiscal quarter of not less than $60 million through the fiscal quarter ending December 31, 2017 , and of not less than $50 million thereafter. The credit agreement governing the New Senior Credit Facility also contains customary representations and warranties, affirmative covenants and events of default.

The total leverage ratio under the New Senior Credit Facility is Consolidated Total Debt, as defined in Amendment No. 5 (which definition excludes debt under the Cerberus 3L Notes), less unrestricted cash and cash equivalents (up to $75.0 million) to Consolidated EBITDA, as defined in Amendment No. 5, for the applicable period.

The maximum total leverage ratios under the New Senior Credit Facility are set forth below as follows:

Period Ending	Total Leverage Ratio
December 31, 2016	7.40 to 1.0
March 31, 2017	7.30 to 1.0
June 30, 2017	6.75 to 1.0
September 29, 2017	6.50 to 1.0
December 31, 2017	5.75 to 1.0
March 30, 2018	5.75 to 1.0
June 29, 2018	5.50 to 1.0
September 28, 2018	5.40 to 1.0
September 29, 2018 and thereafter	4.75 to 1.0

The interest coverage ratio under the New Senior Credit Facility is the ratio of Consolidated EBITDA to Consolidated Interest Expense, as defined in Amendment No. 5 (which provides that interest expense with respect to the Cerberus 3L Notes is excluded). The minimum interest coverage ratios under the New Senior Credit Facility are set forth below as follows:

Period Ending	Interest Coverage Ratio
December 31, 2016	1.15 to 1.0
March 31, 2017	1.20 to 1.0
June 30, 2017	1.20 to 1.0
September 29, 2017	1.30 to 1.0
December 31, 2017	1.40 to 1.0
March 30, 2018	1.50 to 1.0
June 29, 2018	1.60 to 1.0
June 30, 2018 and thereafter	1.70 to 1.0

As of December 31, 2016 and December 31, 2015 , we were in compliance with our financial maintenance covenants under the New Senior Credit Facility and the Senior Credit Facility, respectively, and we expect, based on current projections and estimates, to be in compliance with our covenants in the next twelve months.

New Notes

On June 15, 2016 , in connection with the consummation of the exchange offer (the "Exchange Offer") and consent solicitation (the “Consent Solicitation”), $415.7 million principal amount of the Senior Unsecured Notes were exchanged for $45.0 million cash and $370.6 million aggregate principal amount of newly issued New Notes due November 30, 2020 . The $370.6 million non-cash exchange of the Existing Notes for the New Notes was classified as a noncash financing activity for the year ended December 31, 2016 .

The New Notes are governed by the terms of the indenture dated as of June 15, 2016 (the “Indenture”), among DynCorp International, the Guarantors (as defined below) and Wilmington Trust, National Association, as trustee (the “Trustee”) and collateral agent (the “Collateral Agent”).

The New Notes are senior secured obligations of DynCorp International, as issuer, and of the Guarantors, as guarantors. The New Notes are secured by second-priority liens on the assets that secure DynCorp International’s and the Guarantors’ obligations under DynCorp International’s senior secured credit facility, subject to permitted liens and certain exceptions. The New Notes are guaranteed by (1) Holdings, and (2) all of DynCorp International’s subsidiaries that currently guarantee the New Senior Credit Facility (the “Subsidiary Guarantors,” and collectively with Holdings, the “Guarantors”).

Interest on the New Notes accrues at the rate of 11.875% per annum, comprised of 10.375% per annum in cash and 1.500% per annum payable in kind (“PIK,” and such interest “PIK Interest”). The cash portion of the interest on the New Notes is payable in cash and the PIK Interest on the New Notes is payable in kind, each semi-annually in arrears on January 1 and July 1, commencing on July 1, 2016 . PIK Interest was accrued from January 1, 2016 , which was the last date interest was paid on the Senior Unsecured Notes prior to the completion of the Exchange Offer.

The New Notes were not registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws. The Exchange Offer was made, and the New Notes were offered and issued, in reliance on the exemption from the registration requirements of the Securities Act provided under Section 3(a)(9) of the Securities Act and on the exemption from the registration requirements of state securities laws and regulations provided under Section 18(b)(4)(D) of the Securities Act. Consistent with past interpretations of Section 3(a)(9) by the staff of the SEC, the New Notes received in exchange for the Senior Unsecured Notes tendered pursuant to the Exchange Offer have the same characteristics as the Senior Unsecured Notes as to their transferability and are freely transferable without registration under the Securities Act and without regard to any holding period by those tendering holders who are not our “affiliates” (as defined in the Securities Act).

Covenants

The Indenture contains covenants that limit, among other things, each of Holdings’, DynCorp International's and the Subsidiary Guarantors’ ability to:

- incur additional indebtedness;
- pay dividends on capital stock or repurchase capital stock;
- make investments;
- create liens or use assets as security in other transactions;
- merge, consolidate or transfer or dispose of substantially all of its assets;
- engage in transactions with affiliates; and
- sell certain assets or merge with or into other companies.

These covenants are subject to a number of important exceptions and qualifications as set forth in the Indenture.

In addition, the Indenture (i) requires that any principal to be paid on any Senior Unsecured Notes that remain outstanding that were not tendered in the Exchange Offer may only be paid with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Notes (and such non-exchanged Senior Unsecured Notes are not permitted to be exchanged into secured obligations of any kind), as further described below under "Senior Unsecured Notes," and (ii) requires DynCorp International to make amortization payments of (x) $22.5 million principal amount of the New Term Loan under the New Senior Credit Facility no later than June 15, 2017 , and (y) an additional $22.5 million principal amount of the New Term Loan no later than June 15, 2018 , which amounts may be reduced as a result of the application of certain prepayments, including excess cash flow payments.

If we sell certain assets without applying proceeds in a specified manner, holders of the New Notes will have the right to require us to repurchase some or all of the New Notes at 100% of their face amount, plus accrued and unpaid interest to the repurchase date.

Upon the occurrence of specific kinds of change of control events (unless we elect to redeem the New Notes at our option prior thereto), holders of New Notes will have the right to require us to repurchase some or all of the New Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

Optional Redemption

DynCorp International is permitted to redeem the New Notes prior to July 1, 2017 , in whole but not in part, at its option, at 100% of their principal amount, together with any accrued and unpaid cash interest and additional interest, if any, together with an amount of cash equal to all accrued and unpaid PIK Interest to but excluding the redemption date. In addition, on or after July 1, 2017 , the New Notes will be redeemable at the option of the Company, in whole or in part, at any time and from time to time, upon not less than 30 nor more than 60 days’ prior notice, at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid cash interest, if any, together with an amount of cash equal to all accrued and unpaid PIK Interest to but excluding the redemption date, if redeemed during the 12-month period commencing on July 1 of the years set forth below:

Period	**Redemption Price**
2017	106.00%
2018	103.00%
2019 and thereafter	100.00%

Events of Default

The Indenture contains customary events of default, including for failure to pay the Senior Unsecured Notes by their maturity or for failure to pay other debt in a total amount exceeding $10.0 million after final maturity or acceleration of such indebtedness (including acceleration of the New Senior Credit Facility, such as due to failure to refinance or pay with proceeds of sales of equity or capital contributions the remaining Senior Unsecured Notes as described above). If the New Notes are accelerated or otherwise become due and payable prior to their maturity, in each case, as a result of an event of default under the Indenture, on or after

July 1, 2017 , the amount of principal of, accrued and unpaid interest and premium on the New Notes that becomes due and payable will equal the redemption price plus accrued and unpaid cash interest, if any, together with an amount of cash equal to all accrued and unpaid PIK Interest, applicable with respect to an optional redemption of the New Notes. If the New Notes are accelerated or otherwise become due and payable prior to their maturity, in each case, as a result of an event of default under the Indenture, at any time prior to July 1, 2017 , the amount of principal of, accrued and unpaid interest and premium on the New Notes that becomes due and payable will equal 100% of the principal amount of the New Notes plus an Acceleration Premium (as defined in the Indenture) plus accrued and unpaid cash interest, if any, together with an amount of cash equal to all accrued and unpaid PIK Interest.

Senior Unsecured Notes

On July 7, 2010 , DynCorp International completed an offering of $455.0 million in aggregate principal of 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 "Senior Unsecured Notes Indenture"), by and among us, the guarantors party thereto, including DynCorp International and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as Trustee.

On June 15, 2016 , in connection with the consummation of the Exchange Offer, $415.7 million principal amount of the Senior Unsecured Notes were exchanged for $45.0 million cash and $370.6 million principal amount of newly issued New Notes. The remaining $39.3 million principal amount of 10.375% Senior Unsecured Notes were not exchanged and mature on July 1, 2017 and are classified within the current portion of long-term debt as of December 31, 2016 .

The credit agreement governing our New Senior Credit Facility specifies that we must either extend the maturity date of all outstanding principal of the Senior Unsecured Notes to a date on or after October 6, 2020 or repay all of the outstanding principal and accrued and unpaid interest of the Senior Unsecured Notes in full by May 8, 2017 with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. Failure to do so would result in all outstanding principal under the New Term Loan and the class B revolving facility maturing on May 8, 2017. Similar provisions with regards to the outstanding Senior Unsecured Notes are included in the Indenture governing the New Notes and the Third Lien Credit Agreement, which provide that the remaining Senior Unsecured Notes may only by paid with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Notes and the Cerberus 3L Notes (and we may not exchange any such remaining Senior Unsecured Notes into secured obligations of any kind). In addition, under the New Senior Credit Facility, any such new debt must mature after the maturity date of the New Term Loan, and under the Indenture and the Third Lien Credit Agreement, any such new debt must mature after the maturity date of the New Notes. In the event we were unable to address the remaining $39.3 million principal amount of 10.375% Senior Unsecured Notes and unpaid interest before May 8, 2017 through the New Cerberus Financing or otherwise, the failure to pay all amounts due under the New Senior Credit Facility upon the May 8, 2017 springing maturity would be an event of default under the New Senior Credit Facility. Failure to pay amounts due upon the springing maturity of the New Senior Credit Facility would also cause an event of default under the Indenture and the Cerberus 3L Notes.

The Company has received the Support Letter from Cerberus committing to fund the New Cerberus Financing. We have therefore sent a notice of redemption to the holders of the Senior Unsecured Notes for a redemption of all of the remaining Senior Unsecured Notes on April 24, 2017, conditioned on the receipt of the proceeds of the New Cerberus Financing or other equity and/or debt financings and/or capital contributions. Since Cerberus has agreed to provide the New Cerberus Financing irrevocably and unconditionally except in the limited circumstances of the Material Adverse Change Condition, the Company expects to complete the redemption before May 8, 2017 , in which case the maturity dates of the New Term Loan and the class B revolving facility would remain at July 7, 2020 and July 7, 2019 , respectively, and not be accelerated.

Interest on the Senior Unsecured Notes is payable on January 1 and July 1 of each year, and commenced on January 1, 2011 .

Pursuant to the Consent Solicitation, the Senior Unsecured Notes Indenture was amended to eliminate substantially all of the restrictive covenants and certain of the default provisions therein.

Subject to restrictions on repayment of the Senior Unsecured Notes in the New Senior Credit Facility and our other debt, after July 1, 2016 , we can voluntarily settle all or a portion of the Senior Unsecured Notes at any time prior to maturity at 100% of their principal amount plus accrued and unpaid interest, if any, as of the applicable redemption date.

The fair value of the Senior Unsecured Notes is based on their quoted market value. As of December 31, 2016 and December 31, 2015 , the quoted market value of the Senior Unsecured Notes was approximately 94.4% and 74.3% , respectively, of stated value.

Cerberus 3L Notes

Based on the completion of the Exchange Offer and the satisfaction of conditions set forth in the Third Lien Credit Facility Commitment Letter, dated April 30, 2016 , DynCorp Funding LLC, a limited liability company managed by Cerberus Capital

Management, L.P. ("Cerberus"), entered into a Third Lien Credit Agreement, dated as of June 15, 2016 (the “Third Lien Credit Agreement”) with us.

Under the Third Lien Credit Agreement, DynCorp Funding LLC has made a $30 million term loan to us (the "Cerberus 3L Notes"). The proceeds of the Cerberus 3L Notes are restricted to pay fees and expenses (including reimbursement of out-of-pocket expenses) in support of or related to the Company’s Global Advisory Group until June 15, 2018 and, thereafter, for working capital and general corporate purposes. For the year ended December 31, 2016 , we utilized approximately $23.1 million of these funds for fees and expenses related to the Company's Global Advisory Group.

Interest Rate and Fees

The interest rate per annum applicable to the Cerberus 3L Notes is 5.00% , payable in kind on a quarterly basis.

Prepayments

The Cerberus 3L Notes do not require any mandatory prepayments, and, subject to the terms of the Intercreditor Agreement (as defined below), we are permitted to voluntarily repay outstanding loans under the Cerberus 3L Notes without premium or penalty. The New Senior Credit Facility and the Indenture governing the New Notes restrict us from making any principal payments on the Cerberus 3L Notes.

Maturity and Amortization

The Cerberus 3L Notes do not require any mandatory amortization payments prior to maturity and the outstanding principal amounts shall be payable on June 15, 2026 .

Covenants

The Cerberus 3L Notes include covenants consistent with the covenants set forth in the New Notes; provided that each “basket” or “cushion” set forth in the covenants is at least 25% less restrictive than the corresponding provision set forth in the New Notes.

Events of Default

The Third Lien Credit Agreement contains customary events of default, including for failure to pay the remaining Senior Unsecured Notes by their maturity or for failure to pay other debt in a total amount exceeding $12.5 million after final maturity or acceleration of such indebtedness (including acceleration of the New Senior Credit Facility, such as due to failure to refinance or pay with proceeds of sales of equity or capital contributions the remaining Senior Unsecured Notes as described above).

Intercreditor Agreement

The collateral granted to secure the indebtedness under the New Senior Credit Facility, on a first-priority basis, has also been granted to secure (a) the New Notes and the guarantees under the Indenture on a second-priority basis and (b) the Cerberus 3L Notes and the guarantees under the Third Lien Credit Agreement on a third-priority basis. The relative priority of the liens afforded to the New Senior Credit Facility, New Notes and Cerberus 3L Notes and the subordination in right of payment of the Cerberus 3L Notes to the New Senior Credit Facility and the New Notes are set forth in the Intercreditor Agreement (the “Intercreditor Agreement”), dated as of June 15, 2016 , by and among the administrative agent under the New Senior Credit Facility, the collateral agent under the Indenture, and the collateral agent under the Third Lien Credit Agreement.

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 $40.7 million , $49.6 million , and $95.5 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. We have no significant long-term purchase agreements with service providers.

Minimum fixed rental payments non-cancelable for the next five years and thereafter under operating leases in effect as of December 31, 2016 , are as follows:

Calendar Year	Real Estate	Equipment	Total
		(Amounts in thousands)	
2017 [(1)]	$ 13,730	$ 4,136	$ 17,866
2018	9,710	619	10,329
2019	5,306	438	5,744
2020	4,198	438	4,636
2021	2,771	36	2,807
Thereafter	7,489	—	7,489
Total	$ 43,204	$ 5,667	$ 48,871

(1) The minimum lease table above excludes agreements of one year or less in duration. These leases are accounted for in our rent expense, however, because of the short tenure of the lease, these are not reflected in the table above.

Contingencies

General Legal Matters

We are involved in various lawsuits and claims that arise in the normal course of business. We have established reserves for matters in which it is believed that losses are probable and can be reasonably estimated. Reserves related to these matters have been recorded in "Other accrued liabilities" totaling approximately $4.6 million and $5.1 million as of December 31, 2016 and December 31, 2015 , respectively. We believe that appropriate accruals have been established for such matters based on information currently available; however, some of the matters may involve compensatory, punitive, or other claims or sanctions that if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2016 . These accrued reserves represent the best estimate of amounts believed to be our liability in a range of expected losses. In accordance with ASC 450 - *Contingencies* , in addition to matters that are considered probable and can be reasonably estimated, we also disclose certain matters considered reasonably possible. In addition to the disclosure requirements set forth in ASC 450-20, the Company also discloses any other contingencies for which the likelihood of an unfavorable outcome is remote but for which the Company believes are of such a significant nature that disclosure would benefit a user of our financial statements. Other than matters disclosed below, we believe the aggregate range of possible loss related to matters considered reasonably possible was not material as of December 31, 2016 . Litigation is inherently unpredictable and unfavorable resolutions could occur. Accordingly, it is possible that an adverse outcome from such proceedings could (i) exceed the amounts accrued for probable matters; or (ii) require a reserve for a matter we did not originally believe to be probable or could be reasonably estimated. Such changes could be material to our financial condition, results of operations and cash flows in any particular reporting period. Our view of the matters not specifically disclosed could possibly change in future periods as events thereto unfold.

Pending Litigation and Claims

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. We filed multiple motions for summary judgment, and, on February 15, 2013, the court granted summary judgment and dismissed all claims. On March 18, 2013, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the District of Columbia. On May 30, 2014, the U.S. Court of Appeals for the District of Columbia affirmed the dismissal of the majority of the case, but remanded the case to the trial court concerning a few remaining tort claims. On September 23, 2016, the District Court granted in part renewed motions for summary judgment. At this time, we believe the likelihood of an unfavorable outcome in this case is remote.

A lawsuit filed on September 11, 2001, and amended on March 24, 2008, seeking unspecified damages on behalf of 26 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, 15 of the plaintiffs have been dismissed by court order. We filed multiple motions for summary judgment, and, on February 15, 2013, the court granted summary judgment and dismissed all claims. On March 18, 2013, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the District of Columbia. On May 30, 2014, the U.S. Court of Appeals for the District of Columbia affirmed the dismissal of the majority of the case, but remanded the case to the trial court concerning a few remaining tort claims. On September 23, 2016, the District Court granted in part renewed motions for summary judgment. At this time, we believe the likelihood of an unfavorable outcome in this case is remote.

The above cases now are fully defended and indemnified by the Company's previous owner, Computer Sciences Corporation and also by its spin-off company, CSRA Inc. The insurance litigation arising out of the above cases that was described in prior filings has now been fully resolved and settled.

In October 2007 , we entered into a subcontract with Northrop Grumman Technical Services, Inc. ("Northrop") to support Northrop's prime contract with the DoD Counter Narcotics Terrorism Program Office. We performed the services requested by Northrop, the government determined that it received "intended quality and skills of personnel," and Northrop paid our invoices until July 2014 . Subsequent to July 2014 , Northrop stopped paying our periodic invoices. The contract operations ended on December 31, 2014 . In March 2015 , Northrop filed a civil action against us to obtain documents regarding our invoices and now asserts approximately $5.0 million in damages. We believe the damages asserted by Northrop represent a loss contingency that is remote. In September 2015 , we filed an Answer and Counterclaim seeking approximately $41.0 million for unpaid invoices. An unfavorable judgment which denies us a substantial amount of the full amount owed to us could have a material effect on our performance.

On February 24, 2012 , we were advised by the Department of Justice Civil Litigation Division ("the Civil Division") that they are conducting an investigation regarding the CivPol and Department of State Advisor Support Mission ("DASM") contracts in Iraq and Corporate Bank, a former subcontractor. The issues include allowable hours worked under a specific task order and invoices to the DoS for certain hotel leasing, labor rates and overhead within the 2003 to 2008 timeframe. Since 2012 , the Company has been in discussions with the Civil Division, and has been cooperating with the Civil Division's requests for information. On July 19, 2016 , the Civil Division filed a civil lawsuit asserting violations of underlying contract terms and also the False Claims Act. 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; however, the complaint does not include any specific monetary demand and as such we are unable to estimate a range of loss at this time. We are continuing to evaluate this lawsuit and at this time believe the potential for penalties, damages or fines resulting from this matter do not represent a probable loss contingency.

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. Such investigations could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed on us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and may result in adverse action against us. We believe that any adverse actions arising from such matters could have a material effect on our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government and could have a material effect on our operating performance.

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, accounting and material management business systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. The DCAA will in some cases issue a Form 1 representing the non-conformance of such costs or requirements as it relates to our government contracts. If we are unable to provide sufficient evidence of the costs in question, the costs could be suspended or disallowed which could be material to our financial statements. Government contract payments received by us for direct and indirect costs are subject to adjustment after government audit and repayment to the government if the payments exceed allowable costs as defined in the government regulations.

On our CivPol program, we have received a series of audit reports and related Form 1s from the DCAA based on their examination of certain incurred, invoiced and reimbursed costs. Over the course of multiple years, we have worked extensively with the DoS to settle the outstanding issues. Through our efforts, which included a series of contract actions (e.g. modifications) and negotiations, the issues have been resolved, resulting in final settlements of all audited costs of approximately $1.4 million .

On April 30, 2013 , we received several Form 1s from the DCAA for the periods ranging between 2000 to 2011 on the War Reserve Materiel program related to concerns on items such as the adequacy of documentation and reasonableness of costs. In July 2016, we received the contracting officer's final decision on these Form 1s and in September 2016, a contract modification was finalized and executed between the parties, effectively and fully settling this matter. We received final payment for settlement of this matter during the year ended December 31, 2016 .

We have received a series of audit reports from the DCAA related to their examination of certain incurred, invoiced and reimbursed costs on the Logistics Civil Augmentation Program IV ("LOGCAP IV") contract for years 2009 to 2010. During calendar year 2016 , we received several audit reports and Form 1s from the DCAA questioning approximately $64 million . Through our negotiation efforts with the Contracting Officer the issues have been resolved, resulting in final settlements of all audited costs of approximately $0.8 million of questioned costs. The DCAA is currently auditing fiscal years 2011 to 2016 and we believe the risk of loss for those years is low and eventual settlement amounts should be comparable to the previous outcome for fiscal years 2009 to 2010.

Foreign Contingencies

On January 22, 2014, a tax assessment from the Large Tax Office of the Afghanistan Ministry of Finance (“MOF”) was received, seeking approximately $64.2 million in taxes and penalties specific to one of our business licenses in Afghanistan for periods between 2009 to 2012. The majority of this assessment was income tax related; however, $10.2 million of the assessed amount is non-income tax related and represents loss contingencies that we consider reasonably possible. We filed our initial appeal of the assessment with the MOF on February 19, 2014 . In May 2014 , the MOF ruled in our favor for the income tax related issue which totaled approximately $54.0 million . We are still working with the MOF to remove the assessment on the remaining non-income tax related items. As of December 31, 2016 , we are continuing to evaluate this matter and at this time believe it does not represent a probable loss contingency.

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, the significance of any one contract can change as our business expands or contracts. Additionally, as contract modifications, contract extensions or other contract actions occur, the profitability of any one contract can become more or less significant to the Company. As contracts are recompeted, there is the potential for the size, contract type, contract structure or other contract elements to materially change from the original contract resulting in significant changes to the scope, scale, profitability or magnitude of accounts receivable of the new recompeted contract as compared to the original contract. We continuously review all accounts receivable and record provisions for doubtful accounts when necessary.

Risk Management Liabilities and Reserves

We are insured for domestic workers' 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 of $9.3 million and $11.0 million as of December 31, 2016 and December 31, 2015 , respectively. 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 workers' compensation liabilities and medical costs. Our exposure under the stop-loss policies for domestic workers' 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 is $0.25 million per occurrence on a California-based policy. For medical costs, the fixed dollar amount of stop-loss coverage is $0.4 million for total costs per covered participant per calendar year.

Note 9 — Equity

At April 1, 2010 (inception), 100 common shares were issued and, as of December 31, 2016 , 100 shares remain issued and outstanding as there have been no further issuances of common shares since that date. During the period from April 1, 2010 through December 31, 2010, our equity was impacted by a capital contribution of $550.9 million in connection with the merger entered into on July 7, 2010.

Share Based Payments

On December 17, 2013, certain members of management and outside directors were awarded Class B interests in DynCorp Management LLC ("DynCorp Management"). DynCorp Management conducts no operations and was established for the purpose of holding equity in our Company. DynCorp Management authorized 100,000 Class B shares as available for issuance and approved 7,246 Class B-1 Interests and 380 Class B-2 Interests to certain members of management and outside directors of Defco Holdings, Inc. ("Holdings"), the non-member manager, and its subsidiaries, including Delta Tucker Holdings, Inc. The grant and vesting of the awards is contingent upon the executives' consent to the terms and conditions set forth in the Class B-1 Interests and B-2 Interests Agreements. On November 8, 2016 , DynCorp Management authorized and issued 20,000 Class B-3 Interests to our Chief Executive Officer, Mr. Von Thaer. The Class B-3 Interests shall vest in 4 equal 25% installments on the grant date of the Class B-3 Interests, June 15, 2017 , June 15, 2018 and June 15, 2019 . Excluding the issuance of the Class B-3 Interests, there were no new grants issued to any of our members of management in calendar years 2016 and 2015.

A summary of the Class B Interest plans activity for the years ended December 31, 2016 and December 31, 2015 is as follows:

	Number of Interests
Outstanding at December 31, 2014	5,901
Granted:	
Class B-1	—
Class B-2	—
Exercised	—
Forfeited or expired	(135)
Outstanding at December 31, 2015	5,766
Granted:	
Class B-1	—
Class B-2	—
Class B-3	20,000
Exercised	—
Forfeited or expired	—
Outstanding at December 31, 2016	25,766

Awards to our management team consist of options qualifying as profits interests under Revenue Procedure 93-27, that are exercisable only upon a change in control as defined in the Plan. The awards do not expire and the awards do not have a fixed strike price. The value of the Class B Interest as of the grant date is calculated using a Monte Carlo simulation consistent with the provisions of ASC Topic 718, *"Compensation—Stock Compensation"* and is amortized over the respective vesting period. The Monte Carlo simulation, similar to a Black-Scholes option pricing formula, requires the input of subjective assumptions, including the estimated life of the interest and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility of the market-based guideline companies as a basis for projecting the expected volatility of the underlying Class B interest and estimated the expected life of our Class B grants to be 4 years as of the grant date. The 2016 fair value utilized for determining profits interests for Class B-3 interests was $1.95 . The weighted-average assumptions used in the valuation for grants issued in calendar year 2016 included expected volatility of 61.5% , risk-free interest rate of 0.7% , a remaining expected life of 3.2 years , a forfeiture rate of 9.5% and no expected yield. There were no applicable weighted-average assumptions in calendar year 2015 as there were no additional grants issued. We believe that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our Class B grants.

The total grant date fair value of all options granted during calendar years 2016 and 2015 was less than $0.1 million and $0 , respectively. Total compensation cost expensed for the years ended December 31, 2016 and December 31, 2015 was $0.1 million and $0.4 million , respectively.

The following is a summary of the changes in non-vested shares for the years ended December 31, 2016 and December 31, 2015 :

	Number of Shares
Non-vested shares at December 31, 2014	1,234
Granted	—
Vested	(893)
Forfeited	(135)
Non-vested shares at December 31, 2015	206
Granted	20,000
Vested	(5,139)
Forfeited	—
Non-vested shares at December 31, 2016	15,067

As of December 31, 2016 , the total compensation cost related to the non-vested Class B awards, not yet recognized, was $0.1 million which will be recognized over a weighted average period of approximately 1.8 years.

Long-Term Incentive Bonus

On December 17, 2013 the Company approved a long-term cash incentive bonus for certain members of management and outside directors, where in the event of a change in control, subject to the various members of management continued employment with the Company through such a change in control and execution of a restrictive covenant agreement within fourteen days of receipt of such agreement, the various members of management shall be eligible to receive a cash incentive bonus. As of December 31, 2016 there was no impact to the financial statements as no triggering event had occurred.

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.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and borrowings. Because of the short-term nature of cash and cash equivalents, accounts receivable and accounts payable, the fair value of these instruments approximates the carrying value.

Our estimate of the fair value of our Senior Unsecured Notes, New Notes, and New Senior Credit Facility is based on Level 1 and Level 2 inputs, as defined above. Our estimate of the fair value of our Cerberus 3L Notes (as defined in Note 7) is based on Level 3 inputs, as defined above. We used the following techniques in determining the fair value disclosed for the Cerberus 3L Notes classified as Level 3. The fair value as December 31, 2016 , has been calculated by discounting the expected cash flows using a discount rate of 17.9% . This discount rate is determined using the Moody's credit rating for the New Notes and reducing the rating one level lower for the Cerberus 3L Notes as they are subordinated to the New Notes.

(Amounts in thousands)	December 31, 2016 Carrying Amount	December 31, 2016 Fair Value	December 31, 2015 Carrying Amount	December 31, 2015 Fair Value
10.375% senior unsecured notes	$ 39,319	$ 37,132	$ 455,000	$ 337,838
11.875% senior secured second lien notes	373,385	343,282	—	—
Term loan	207,400	200,141	187,272	179,781
Cerberus 3L notes	30,831	9,624	—	—
Total indebtedness	650,935	590,179	642,272	517,619
Less current portion of long-term debt	(64,433)	(61,367)	(187,272)	(179,781)
Total long-term debt	$ 586,502	$ 528,812	$ 455,000	$ 337,838

Fair Value on a Nonrecurring Basis

The Company performed an assessment of the GLS investment during the third quarter of 2016 and concluded that the carrying value of the GLS investment had sustained a loss that was other than temporary and recorded an impairment of the investment of $1.8 million . In calculating the fair value of the GLS investment we used unobservable inputs (Level 3, as defined above) and management judgment to apply a discounted cash flow model under the income approach. We used the following estimates and assumptions in the discounted cash flow analysis:

- nominal growth rate to reflect the reliance on a single major customer and contract;
- compounded annual probability of forecast revenue to reflect the reliance on a single major customer and contract;
- discount rates based on our peer group weighted-average cost of capital; and
- forecasted EBITDA as a percentage of revenue.

Note 11 — Segment and Geographic Information

In October 2016, the Company amended its organizational structure. The Company's previous two operating and reporting segments, DynAviation and DynLogistics, were re-aligned into three operating and reporting segments: AELS, AOLC and DynLogistics. AELS, AOLC and DynLogistics 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:

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Revenue			
AELS	$ 585,200	$ 545,909	$ 431,424
AOLC	617,282	730,153	772,993
DynLogistics	633,646	647,142	1,045,200
Headquarters / Other (1)	26	(27)	2,692
Total revenue	$ 1,836,154	$ 1,923,177	$ 2,252,309
Operating income (loss)			
AELS	$ (19,213)	$ (97,400)	$ (95,197)
AOLC	49,334	28,160	33,696
DynLogistics	70,402	42,496	(67,097)
Headquarters / Other (2)	(75,836)	(47,975)	(91,348)
Total operating income (loss)	$ 24,687	$ (74,719)	$ (219,946)
Depreciation and amortization			
AELS	$ 675	$ 1,400	$ 512
AOLC	541	1,073	1,153
DynLogistics	388	250	55
Headquarters / Other	34,350	34,531	47,987
Total depreciation and amortization (3)	$ 35,954	$ 37,254	$ 49,707

(1) Headquarters revenue primarily represents revenue earned on shared services arrangements for general and administrative services provided to unconsolidated joint ventures and elimination of intercompany items between segments.

(2) Headquarters operating expenses 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, Global Advisory Group costs and costs associated with the Refinancing Transactions, partially offset by equity method investee income.

(3) Includes amounts in Cost of services of $1.1 million , $2.3 million and $1.1 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively.

	As of		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Assets			
AELS	$ 140,320	$ 158,784	$ 182,664
AOLC	133,096	192,843	210,582
DynLogistics	168,085	173,036	299,961
Headquarters / Other (1)	235,036	260,026	289,280
Total assets	$ 676,537	$ 784,689	$ 982,487

(1) Assets primarily include cash, investments in unconsolidated subsidiaries, and intangible assets (excluding goodwill).

Geographic Information — Revenue by geography is determined based on the location of services provided.

	For the years ended								
(Amounts in thousands)	December 31, 2016			December 31, 2015			December 31, 2014		
United States	$	658,137	36%	$	658,639	34%	$	612,220	27 %
Afghanistan		597,916	33%		648,058	34%		1,003,205	45 %
Middle East (1)		440,417	24%		407,521	21%		387,021	17 %
Other Americas		50,371	3%		76,746	4%		84,424	4 %
Europe		35,511	2%		70,456	4%		53,853	2 %
Asia-Pacific		24,300	1%		29,362	1%		41,953	2 %
Other		29,502	1%		32,395	2%		69,633	3 %
Total revenue	$	1,836,154	100%	$	1,923,177	100%	$	2,252,309	100 %

(1) The Middle East includes but is not limited to activities in Iraq, Oman, Qatar, United Arab Emirates, Kuwait, Palestine, South Sudan, Pakistan, Jordan, Lebanon, Bahrain, Saudi Arabia, Turkey and Egypt. The vast majority of all assets owned by the Company were located in the U.S. as of December 31, 2016 .

Revenue from the U.S. government accounted for approximately 95% , 93% and 94% of total revenue for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. As of December 31, 2016 and December 31, 2015 accounts receivable due from the U.S. government represented over 89% and 90% of total accounts receivable, respectively.

Note 12 — Related Parties, Joint Ventures and Variable Interest Entities

Cerberus 3L Notes

DynCorp Funding LLC, a limited liability company managed by Cerberus Capital Management, L.P., entered into a Third Lien Credit Agreement, dated as of June 15, 2016 to fund the Cerberus 3L Notes, a $30 million term loan to us. The interest rate per annum applicable to the Cerberus 3L Notes is 5.00% , payable in kind on a quarterly basis. The Cerberus 3L Notes do not require any mandatory amortization payments prior to maturity and the outstanding principal amounts shall be payable on June 15, 2026 . See Note 7 for further discussion.

New Cerberus Financing

As described further in Note 7, the credit agreement governing the New Senior Credit Facility contains a provision that would result in all outstanding principal under the New Term Loan and the class B revolving facility maturing on May 8, 2017 if by May 8, 2017 all of the outstanding principal of the Senior Unsecured Notes has not been extended to a date that is on or after October 6, 2020 , or all of the outstanding principal and accrued and unpaid interest of the Senior Unsecured Notes have not been paid in full with the proceeds of new equity, capital contributions or new unsecured debt that is expressly subordinated to the New Senior Credit Facility. The Company has received the Support Letter from Cerberus committing to fund the redemption of all outstanding Senior Unsecured Notes on or before May 5, 2017 with the proceeds of new equity or capital contributions.

Consulting Fees

We have a Master Consulting and Advisory Services agreement ("COAC Agreement") with Cerberus Operations and Advisory Company, LLC ("COAC") where, pursuant to the terms of the agreement, 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 $5.8 million , $8.1 million and $4.9 million of consulting fees on a gross basis before considering the effect of our contract mix which provides for partial recovery in conjunction with the COAC Agreement during years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively.

We have two executives who are COAC employees, who are seconded to us: (i) our Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary; and (ii) our Senior Vice President and Chief Operating Officer. Included in the $5.8 million , $8.1 million and $4.9 million recognized during the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 in COAC consulting fees, respectively, was $2.5 million , $4.2 million and $1.3 million of administrative expense related to these COAC individuals for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively.

The New Senior Credit Facility permits payments under the COAC Agreement or any transaction contemplated thereby not to exceed $6 million per fiscal year with respect to executives seconded from COAC and personnel of COAC that provide services to us at cost on a weekly, monthly or pro-rated basis.

Certain members of executive management, board members of the Company and seconded COAC individuals have agreements and conduct business with Cerberus and its affiliates for which they receive compensation. We recognize such compensation as an expense in the consolidated financial statements.

Joint Ventures and Variable Interest Entities

Our most significant joint ventures and VIEs and our associated ownership percentages are listed as follows:

Partnership for Temporary Housing LLC ("PaTH")	30%
Contingency Response Services LLC ("CRS")	45%
Global Response Services LLC ("GRS")	51%
Global Linguist Solutions ("GLS")	51%
DynCorp International FZ - LLC ("DIFZ")	25%
Babcock DynCorp Limited ("Babcock")	44%

We account for our investments in VIEs in accordance with ASC 810 - *Consolidation* . In cases where we have (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, we consolidate the entity. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method. As of December 31, 2016 , we accounted for PaTH, CRS, Babcock, GRS and GLS as equity method investments. Alternatively, we consolidated DIFZ based on the aforementioned criteria. We present our share of the PaTH, CRS, GRS and GLS earnings in Earnings from equity method investees as these joint ventures are considered operationally integral.

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. During the year ended December 31, 2016 , the CRS joint venture was dissolved and the CRS Delaware legal entity registration canceled; therefore, as of December 31, 2016 we will no longer recognize equity method income for the entity.

GRS is a joint venture formed in August 2010 with one partner for the purpose of procuring government contracts with the U.S. Navy. In January 2017, the GRS joint venture was dissolved and the GRS Delaware legal entity registration canceled; therefore, we will no longer recognize equity method income for the entity in calendar year 2017.

GLS is a joint venture formed in August 2006 between DynCorp International LLC and AECOM's National Security Programs unit for the purpose of procuring government contracts with the U.S. Army. We incur costs on behalf of GLS related to the normal operations of the venture. However, these costs typically support revenue billable to our customer.

We own 25% of DIFZ but exercise power over activities that significantly impact DIFZ's economic performance.

Babcock is a joint venture formed in January 2005 and currently provides services to the British Ministry of Defence. The economic rights in the Babcock joint venture are not considered operationally integral to the Company and therefore we present our share of the Babcock earnings in Other income, net.

Receivables due from our unconsolidated joint ventures totaled $0.1 million and $0.5 million as of December 31, 2016 , December 31, 2015 , respectively. 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. We did not earn revenue from our unconsolidated joint ventures during the year ended December 31, 2016 . The related revenue we earned from our unconsolidated joint ventures totaled $0.4 million and $3.9 million for the years ended December 31, 2015 and December 31, 2014 , respectively. Additionally, we earned $1.1 million , $4.0 million , and $12.4 million in equity method income (includes operationally integral and non-integral income) for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively.

GLS' revenue was $39.4 million , $27.8 million and $20.5 million for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively. GLS incurred an operating and net loss of $2.8 million , $2.8 million and $6.0 million for the years ended December 31, 2016 , December 31, 2015 , and December 31, 2014 , respectively.

We currently hold one promissory note included in Other assets on our consolidated balance sheet from Palm Trading Investment Corp, which had an aggregate initial value of $9.2 million . The loan balance outstanding was $2.2 million and $2.5 million as of December 31, 2016 and December 31, 2015 , respectively, reflecting the initial value plus accrued interest, less non-cash dividend payments against the promissory note. The fair value of the note receivable is not materially different from its carrying value.

As discussed above and in accordance with ASC 810 - *Consolidation* , we consolidate DIFZ. The following tables present selected financial information for DIFZ as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 :

	As of	
(Amounts in millions)	**December 31, 2016**	**December 31, 2015**
Assets	$ 4.2	$ 4.7
Liabilities	1.1	1.1

	For the years ended		
(Amounts in millions)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Revenue	$ 179.4	$ 216.1	$ 297.7

The following tables present selected financial information for our equity method investees as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 :

	As of	
(Amounts in millions)	**December 31, 2016**	**December 31, 2015**
Current assets	$ 27.7	$ 32.2
Total assets	29.3	32.2
Current liabilities	10.1	12.5
Total liabilities	10.1	12.5

	For the years ended		
(Amounts in millions)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Revenue	$ 59.6	$ 101.8	$ 233.1
Gross profit	0.1	14.8	20.7
Net income	0.1	11.4	14.4

Many of our joint ventures and VIEs only perform on a single contract. The modification or termination of a contract under a joint venture or VIE could trigger an impairment in the fair value of our investment in these entities. In the aggregate, our maximum exposure to losses as a result of our investment consists of our (i) $7.8 million investment in unconsolidated subsidiaries, (ii) $0.1 million in receivables from our unconsolidated joint ventures, (iii) $2.2 million of notes receivable from Palm Trading Investment Corp, and (iv) contingent liabilities that were neither probable nor reasonably estimable as of December 31, 2016 .

Note 13 — Consolidating Financial Statements of Subsidiary Guarantors

The New Notes issued by DynCorp International Inc. ("Subsidiary Issuer"), the Senior Credit Facility and the term loan under the Third Lien Credit Agreement are fully and unconditionally guaranteed, jointly and severally, by the Company ("Parent") and the following domestic subsidiaries of Subsidiary Issuer: DynCorp International LLC, DTS Aviation Services LLC, DynCorp Aerospace Operations LLC, DynCorp International Services LLC, DIV Capital Corporation, Dyn Marine Services of Virginia LLC, Services International LLC, Worldwide Management and Consulting Services LLC, Worldwide Recruiting and Staffing Services LLC, Heliworks LLC, Phoenix Consulting Group, LLC, Casals & Associates, Inc., Culpepper National Security Solutions LLC, and Highground Global, Inc. ("Subsidiary Guarantors"). The Senior Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, by the Parent and the Subsidiary Guarantors other than Culpeper National Security Solutions LLC, and Highground Global, Inc. Each of the Subsidiary Issuer and the Subsidiary Guarantors is 100% owned by the Company. Under the Senior Unsecured Notes Indenture and the Indenture governing the New Notes, a guarantee of a Subsidiary Guarantor will terminate upon the following customary circumstances: (i) the sale of the capital stock of such Subsidiary Guarantor if such sale complies with the indenture; (ii) the designation of such Subsidiary Guarantor as an unrestricted subsidiary; (iii) if such Subsidiary Guarantor no longer guarantees certain other indebtedness of the Subsidiary Issuer or (iv) the defeasance or discharge of the indenture.

The following condensed consolidating financial statements present (i) condensed consolidating balance sheets as of December 31, 2016 and December 31, 2015 , (ii) the condensed consolidating statement of operations and comprehensive loss for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , (iii) condensed consolidating statements of cash flows for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 and (iv) elimination entries necessary to consolidate Parent and its subsidiaries.

The Parent company, the Subsidiary Issuer, the combined 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 the subsidiary and its subsidiary guarantors, and subsidiary non-guarantors. Additionally, the Subsidiary Guarantors column reflects the equity income of its subsidiary non-guarantors.

DynCorp International Inc. is considered the Subsidiary Issuer as it issued the Senior Unsecured Notes and the New Notes.

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Operations Information
For the year ended December 31, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,852,089	$ 203,992	$ (219,927)	$ 1,836,154
Cost of services	—	—	(1,653,930)	(202,251)	219,850	(1,636,331)
Selling, general and administrative expenses	—	—	(139,412)	(186)	67	(139,531)
Depreciation and amortization expense	—	—	(34,190)	(709)	10	(34,889)
Earnings from equity method investees	—	—	1,066	—	—	1,066
Impairment of goodwill, intangibles and long lived assets	—	—	(1,782)	—	—	(1,782)
Operating income	—	—	23,841	846	—	24,687
Interest expense	—	(69,208)	(3,153)	—	—	(72,361)
Loss on early extinguishment of debt	—	(328)	—	—	—	(328)
Interest income	—	—	205	7	—	212
Equity in loss of consolidated subsidiaries	(54,064)	(8,864)	(438)	—	63,366	—
Other income (loss), net	—	—	5,117	(182)	—	4,935
(Loss) income before income taxes	(54,064)	(78,400)	25,572	671	63,366	(42,855)
Benefit (provision) for income taxes	—	24,336	(34,438)	(36)	—	(10,138)
Net (loss) income	(54,064)	(54,064)	(8,866)	635	63,366	(52,993)
Noncontrolling interest	—	—	—	(1,071)	—	(1,071)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (54,064)	$ (54,064)	$ (8,866)	$ (436)	$ 63,366	$ (54,064)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Operations Information
For the year ended December 31, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,937,385	$ 241,716	$ (255,924)	$ 1,923,177
Cost of services	—	—	(1,739,280)	(238,254)	255,855	(1,721,679)
Selling, general and administrative expenses	—	—	(144,625)	(115)	65	(144,675)
Depreciation and amortization expense	—	—	(33,857)	(1,133)	4	(34,986)
Earnings from equity method investees	—	—	140	—	—	140
Impairment of goodwill, intangibles and long lived assets	—	—	(96,696)	—	—	(96,696)
Operating (loss) income	—	—	(76,933)	2,214	—	(74,719)
Interest expense	—	(65,689)	(3,135)	—	—	(68,824)
Interest income	—	—	103	7	—	110
Equity in (loss) income of consolidated subsidiaries	(132,602)	(89,904)	149	—	222,357	—
Other income, net	—	—	3,952	16	—	3,968
(Loss) income before income taxes	(132,602)	(155,593)	(75,864)	2,237	222,357	(139,465)
Benefit (provision) for income taxes	—	22,991	(14,040)	(279)	—	8,672
Net (loss) income	(132,602)	(132,602)	(89,904)	1,958	222,357	(130,793)
Noncontrolling interest	—	—	—	(1,809)	—	(1,809)
Net (loss) income attributable to Delta Tucker Holdings, Inc.	$ (132,602)	$ (132,602)	$ (89,904)	$ 149	$ 222,357	$ (132,602)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Operations Information
For the year ended December 31, 2014

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 2,268,349	$ 315,551	$ (331,591)	$ 2,252,309
Cost of services	—	—	(2,092,339)	(312,110)	331,584	(2,072,865)
Selling, general and administrative expenses	—	—	(146,623)	(265)	7	(146,881)
Depreciation and amortization expense	—	—	(47,979)	(603)	—	(48,582)
Earnings from equity method investees	—	—	489	9,588	—	10,077
Impairment of goodwill, intangibles and long lived assets	—	—	(214,004)	—	—	(214,004)
Operating (loss) income	—	—	(232,107)	12,161	—	(219,946)
Interest expense	—	(68,221)	(2,562)	—	—	(70,783)
Loss on early extinguishment of debt	—	(1,362)	—	—	—	(1,362)
Interest income	—	—	198	23	—	221
Equity in (loss) income of consolidated subsidiaries	(269,780)	(224,551)	10,174	—	484,157	—
Other income (expense), net	—	—	3,736	(56)	—	3,680
(Loss) income before income taxes	(269,780)	(294,134)	(220,561)	12,128	484,157	(288,190)
Benefit (provision) for income taxes	—	24,354	(3,990)	206	—	20,570
Net (loss) income	(269,780)	(269,780)	(224,551)	12,334	484,157	(267,620)
Noncontrolling interest	—	—	—	(2,160)	—	(2,160)
Net (loss) income attributable to Delta Tucker Holdings, Inc.	$ (269,780)	$ (269,780)	$ (224,551)	$ 10,174	$ 484,157	$ (269,780)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Loss
For the year ended December 31, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (54,064)	$ (54,064)	$ (8,866)	$ 635	$ 63,366	$ (52,993)
Other comprehensive loss:						
Currency translation adjustment	(233)	(233)	—	(233)	466	(233)
Other comprehensive loss, before tax	(233)	(233)	—	(233)	466	(233)
Income tax benefit related to items of other comprehensive loss	83	83	—	83	(166)	83
Other comprehensive loss	(150)	(150)	—	(150)	300	(150)
Comprehensive (loss) income	(54,214)	(54,214)	(8,866)	485	63,666	(53,143)
Noncontrolling interest	—	—	—	(1,071)	—	(1,071)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (54,214)	$ (54,214)	$ (8,866)	$ (586)	$ 63,666	$ (54,214)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Loss
For the year ended December 31, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (132,602)	$ (132,602)	$ (89,904)	$ 1,958	$ 222,357	$ (130,793)
Other comprehensive loss:						
Currency translation adjustment	(122)	(122)	—	(122)	244	(122)
Other comprehensive loss, before tax	(122)	(122)	—	(122)	244	(122)
Income tax benefit related to items of other comprehensive loss	43	43	—	43	(86)	43
Other comprehensive loss	(79)	(79)	—	(79)	158	(79)
Comprehensive (loss) income	(132,681)	(132,681)	(89,904)	1,879	222,515	(130,872)
Noncontrolling interest	—	—	—	(1,809)	—	(1,809)
Comprehensive (loss) income attributable to Delta Tucker Holdings, Inc.	$ (132,681)	$ (132,681)	$ (89,904)	$ 70	$ 222,515	$ (132,681)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Loss
For the year ended December 31, 2014

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (269,780)	$ (269,780)	$ (224,551)	$ 12,334	$ 484,157	$ (267,620)
Other comprehensive loss:						
Currency translation adjustment	(131)	(131)	—	(131)	262	(131)
Other comprehensive loss, before tax	(131)	(131)	—	(131)	262	(131)
Income tax benefit related to items of other comprehensive loss	47	47	—	47	(94)	47
Other comprehensive loss	(84)	(84)	—	(84)	168	(84)
Comprehensive (loss) income	(269,864)	(269,864)	(224,551)	12,250	484,325	(267,704)
Noncontrolling interest	—	—	—	(2,160)	—	(2,160)
Comprehensive (loss) income attributable to Delta Tucker Holdings, Inc.	$ (269,864)	$ (269,864)	$ (224,551)	$ 10,090	$ 484,325	$ (269,864)

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet Information
December 31, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 106,416	$ 11,802	$ —	$ 118,218
Restricted cash	—	6,944	720	—	—	7,664
Accounts receivable, net	—	—	304,729	2,525	(6,999)	300,255
Intercompany receivables	—	—	183,587	9,827	(193,414)	—
Prepaid expenses and other current assets	—	—	63,776	2,516	(598)	65,694
Total current assets	—	6,944	659,228	26,670	(201,011)	491,831
Property and equipment, net	—	—	15,788	848	—	16,636
Goodwill	—	—	9,694	32,399	—	42,093
Tradenames, net	—	—	28,536	—	—	28,536
Other intangibles, net	—	—	84,069	—	—	84,069
Investment in subsidiaries	—	572,176	54,538	—	(626,714)	—
Other assets, net	—	—	10,575	2,797	—	13,372
Total assets	$ —	$ 579,120	$ 862,428	$ 62,714	$ (827,725)	$ 676,537
			LIABILITIES & DEFICIT			
Current liabilities:						
Current portion of long-term debt	$ —	$ 62,843	$ —	$ —	$ —	$ 62,843
Accounts payable	—	—	67,287	3,859	(1,404)	69,742
Accrued payroll and employee costs	—	—	92,036	3,544	—	95,580
Intercompany payables	45,086	138,501	9,827	—	(193,414)	—
Deferred income taxes	—	—	—	26	(26)	—
Accrued liabilities	222,306	30,469	78,926	747	(228,370)	104,078
Income taxes payable	—	—	9,406	—	(103)	9,303
Total current liabilities	267,392	231,813	257,482	8,176	(423,317)	341,546
Long-term debt	—	569,613	—	—	—	569,613
Long-term deferred taxes	—	—	14,825	—	—	14,825
Other long-term liabilities	—	—	12,490	—	—	12,490
Noncontrolling interests	—	—	5,455	—	—	5,455
(Deficit) equity	(267,392)	(222,306)	572,176	54,538	(404,408)	(267,392)
Total liabilities and deficit	$ —	$ 579,120	$ 862,428	$ 62,714	$ (827,725)	$ 676,537

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet Information
December 31, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 95,365	$ 13,417	$ —	$ 108,782
Restricted cash	—	—	721	—	—	721
Accounts receivable, net	—	—	389,773	11	(3,687)	386,097
Intercompany receivables	—	—	199,364	15,180	(214,544)	—
Prepaid expenses and other current assets	—	—	54,364	1,825	(506)	55,683
Assets held for sale	—	—	7,913	—	—	7,913
Total current assets	—	—	747,500	30,433	(218,737)	559,196
Property and equipment, net	—	—	14,617	1,077	—	15,694
Goodwill	—	—	9,694	32,399	—	42,093
Tradenames, net	—	—	28,536	—	—	28,536
Other intangibles, net	—	—	113,256	223	—	113,479
Investment in subsidiaries	—	650,005	55,460	—	(705,465)	—
Long-term deferred taxes	—	—	13,364	—	—	13,364
Other assets, net	—	—	10,616	1,711	—	12,327
Total assets	$ —	$ 650,005	$ 993,043	$ 65,843	$ (924,202)	$ 784,689
LIABILITIES & DEFICIT						
Current liabilities:						
Current portion of long-term debt	$ —	$ 184,866	$ —	$ —	$ —	$ 184,866
Accounts payable	—	—	85,374	6,138	(902)	90,610
Accrued payroll and employee costs	—	—	96,800	3,881	—	100,681
Intercompany payables	45,079	154,285	15,180	—	(214,544)	—
Deferred income taxes	—	—	27,310	24	—	27,334
Accrued liabilities	168,883	27,572	90,013	340	(172,090)	114,718
Liabilities held for sale	—	—	784	—	—	784
Income taxes payable	—	—	8,214	—	(84)	8,130
Total current liabilities	213,962	366,723	323,675	10,383	(387,620)	527,123
Long-term debt	—	452,165	—	—	—	452,165
Other long-term liabilities	—	—	13,571	—	—	13,571
Noncontrolling interests	—	—	5,792	—	—	5,792
(Deficit) equity	(213,962)	(168,883)	650,005	55,460	(536,582)	(213,962)
Total liabilities and deficit	$ —	$ 650,005	$ 993,043	$ 65,843	$ (924,202)	$ 784,689

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the year ended December 31, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 557	$ 70,747	$ (11,096)	$ (18,116)	$ (939)	$ 41,153
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(5,322)	(24)	—	(5,346)
Proceeds from sale of property and equipment	—	—	832	—	—	832
Purchase of software	—	—	(2,634)	—	—	(2,634)
Restriction on cash related to Cerberus 3L notes	—	(6,943)	—	—	—	(6,943)
Return of capital from equity method investees	—	—	2,557	—	—	2,557
Contributions to equity method investees	—	—	(5,406)	—	—	(5,406)
Net transfers from affiliates	—	—	50,523	18,403	(68,926)	—
Net cash (used in) provided by investing activities	—	(6,943)	40,550	18,379	(68,926)	(16,940)
Cash flows from financing activities:						
Borrowings on revolving credit facilities	—	18,000	—	—	—	18,000
Payments on revolving credit facilities	—	(18,000)	—	—	—	(18,000)
Payments on senior secured credit facility	—	(187,272)	—	—	—	(187,272)
Borrowing under new senior credit facility	—	192,882	—	—	—	192,882
Borrowing under Cerberus 3L notes	—	30,000	—	—	—	30,000
Payment to bondholders for Exchange Offer	—	(45,000)	—	—	—	(45,000)
Payments of deferred financing cost	—	(4,998)	—	—	—	(4,998)
Equity contribution from affiliates of Cerberus	—	550	—	—	—	550
Payment of dividends to noncontrolling interests	—	—	—	(1,878)	939	(939)
Net transfers to affiliates	(557)	(49,966)	(18,403)	—	68,926	—
Net cash used in financing activities	(557)	(63,804)	(18,403)	(1,878)	69,865	(14,777)
Net increase (decrease) in cash and cash equivalents	—	—	11,051	(1,615)	—	9,436
Cash and cash equivalents, beginning of period	—	—	95,365	13,417	—	108,782
Cash and cash equivalents, end of period	$ —	$ —	$ 106,416	$ 11,802	$ —	$ 118,218

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the year ended December 31, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 563	$ 33,182	$ (9,991)	$ (3,178)	$ (1,004)	$ 19,572
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(2,026)	(1,153)	—	(3,179)
Proceeds from sale of property and equipment	—	—	526	—	—	526
Purchase of software	—	—	(1,555)	—	—	(1,555)
Return of capital from equity method investees	—	—	4,590	—	—	4,590
Contributions to equity method investees	—	—	(3,117)	—	—	(3,117)
Net transfer from affiliates	—	—	34,745	13,052	(47,797)	—
Net cash provided by investing activities	—	—	33,163	11,899	(47,797)	(2,735)
Cash flows from financing activities:						
Borrowings on indebtedness	—	218,800	—	—	—	218,800
Payments on indebtedness	—	(218,800)	—	—	—	(218,800)
Borrowings under other financing arrangements	—	—	(2,055)	—	—	(2,055)
Payments under other financing arrangements	—	1,000	—	—	—	1,000
Payment of dividends to noncontrolling interests	—	—	—	(2,008)	1,004	(1,004)
Net transfers to affiliates	(563)	(34,182)	(13,052)	—	47,797	—
Net cash used in financing activities	(563)	(33,182)	(15,107)	(2,008)	48,801	(2,059)
Net increase in cash and cash equivalents	—	—	8,065	6,713	—	14,778
Cash and cash equivalents, beginning of period	—	—	87,300	6,704	—	94,004
Cash and cash equivalents, end of period	$ —	$ —	$ 95,365	$ 13,417	$ —	$ 108,782

Delta Tucker Holdings, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the year ended December 31, 2014

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by operating activities	$ 333	$ 29,545	$ (6,454)	$ 3,650	$ (1,697)	$ 25,377
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(8,712)	—	—	(8,712)
Proceeds from sale of property and equipment	—	—	44	—	—	44
Purchase of software	—	—	(1,631)	—	—	(1,631)
Return of capital from equity method investees	—	—	5,625	—	—	5,625
Net transfer (to) from affiliates	—	—	(60,122)	(20,372)	80,494	—
Net cash used in investing activities	—	—	(64,796)	(20,372)	80,494	(4,674)
Cash flows from financing activities:						
Borrowings on indebtedness	—	118,000	—	—	—	118,000
Payments on indebtedness	—	(208,000)	—	—	—	(208,000)
Payments of deferred financing cost	—	—	(1,740)	—	—	(1,740)
Borrowings under other financing arrangements	—	—	20,214	—	—	20,214
Payments under other financing arrangements	—	—	(24,321)	—	—	(24,321)
Payment of dividends to noncontrolling interests	—	—	—	(3,394)	1,697	(1,697)
Net transfer (to) from affiliates	(333)	60,455	20,372	—	(80,494)	—
Net cash (used in) provided by financing activities	(333)	(29,545)	14,525	(3,394)	(78,797)	(97,544)
Net decrease in cash and cash equivalents	—	—	(56,725)	(20,116)	—	(76,841)
Cash and cash equivalents, beginning of period	—	—	144,025	26,820	—	170,845
Cash and cash equivalents, end of period	$ —	$ —	$ 87,300	$ 6,704	$ —	$ 94,004

Note 14 — Subsequent Events

We evaluated potential subsequent events occurring after the period end date and determined no subsequent events merited disclosure for the year ended December 31, 2016 , except as disclosed within the Notes to the consolidated financial statements.

Schedule I - Condensed Financial Information of Registrant

DELTA TUCKER HOLDINGS, INC.
CONDENSED BALANCE SHEETS

	As of	
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**
Other assets, net	$ —	$ —
Total assets	$ —	$ —
Liabilities	$ 267,392	$ 213,962
Deficit	(267,392)	(213,962)
Total liabilities and deficit	$ —	$ —

See notes to this schedule

DELTA TUCKER HOLDINGS, INC.
CONDENSED STATEMENTS OF OPERATIONS

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Equity in loss of subsidiaries, net of tax	$ (54,064)	$ (132,602)	$ (269,780)
Loss before income taxes	(54,064)	(132,602)	(269,780)
Income tax benefit	—	—	—
Net loss	$ (54,064)	$ (132,602)	$ (269,780)

See notes to this schedule

DELTA TUCKER HOLDINGS, INC.
CONDENSED STATEMENTS OF CASH FLOWS

	For the years ended		
(Amounts in thousands)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Net cash from operating activities	$ 557	$ 563	$ 333
Net cash from investing activities	—	—	—
Net cash from financing activities	(557)	(563)	(333)
Net change in cash and cash equivalent	—	—	—
Cash and cash equivalents, beginning of period	—	—	—
Cash and cash equivalents, end of period	$ —	$ —	$ —

See notes to this schedule

Schedule I - Condensed Financial Information
Delta Tucker Holdings, Inc.
Notes to Schedule

Note 1 — Basis of Presentation

Pursuant to rules and regulations of the SEC, the condensed financial statements of Delta Tucker Holdings Inc. do not reflect all of the information and notes normally included with financial statements prepared in accordance with GAAP. Therefore, these financial statements should be read in conjunction with our consolidated financial statements and related notes.

Accounting for subsidiaries — We have accounted for the income of our subsidiaries under the equity method in the condensed financial statements.

Note 2 — Dividends Received from Consolidated Subsidiaries

We have received no dividends from our consolidated subsidiaries including DynCorp International Inc. which has covenants related to its long-term debt, including restrictions on dividend payments as of December 31, 2016 . As the parent guarantor to DynCorp International Inc., we are subject to certain restrictions set forth under the Senior Credit Facility, including restrictions on the payment of dividends. As we are the holding company of DynCorp International Inc. and have no independent operations apart from DynCorp International Inc. and no assets other than our investment in DynCorp International Inc. and associated deferred taxes, our retained earnings and net income are fully encumbered by these restrictions.

Note 3 — Equity

Our equity was initially comprised of a capital contribution of $550.9 million . Between our inception and December 31, 2016 , our equity has been impacted by our earnings, changes in other comprehensive loss and additional paid in capital.

Schedule II - Valuation and Qualifying Accounts
Delta Tucker Holdings, Inc.
For the years ended December 31, 2016 , December 31, 2015 and December 31, 2014

(Amount in thousands)	Beginning of Period	Additions	Deductions from Reserve [1]	End of Period
Allowance for doubtful accounts:				
December 31, 2013 — December 31, 2014	$ 1,621	$ 3,269	$ (154)	$ 4,736
December 31, 2014 — December 31, 2015 [2]	$ 4,736	$ 15,314	$ (3,767)	$ 16,283
December 31, 2015 — December 31, 2016	$ 16,283	$ 2,747	$ (1,841)	$ 17,189

(1) Deductions from reserve represents accounts written off, net of recoveries.

(2) Additions in calendar year 2015 primarily driven by a balance sheet reclassification related to amounts billed during the year.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

None.

ITEM 9A. *CONTROLS AND PROCEDURES.*

Disclosure Controls and Procedures — We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 (the "Act") is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the

Act, for the period ended December 31, 2016 . Based on the evaluation performed, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Inherent Limitations of Internal Controls — Our management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting — There have been no changes in our internal control over financial reporting (as such term is defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting — The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with GAAP. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016 .

ITEM 9B. *OTHER INFORMATION.*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The following are the names, ages and a brief account of the business experience for the past five years of our directors and executive officers as of March 7, 2017 . Unless the context otherwise indicates, references herein to "we," "our," "us," or "the Company" refer to Delta Tucker Holdings, Inc. and its consolidated subsidiaries.

Name	Age	Position
James E. Geisler	50	Non-executive Chairman of the Board of Directors
Chan Galbato	54	Director
General Michael Hagee (USMC Ret.)	72	Director
Brett Ingersoll	53	Director
General John Tilelli (USA Ret.)	75	Director
Michael Sanford	35	Director
Kim Fennebresque	66	Director
Lee Van Arsdale	64	Director
Lewis Von Thaer	56	Chief Executive Officer and Director
William T. Kansky	55	Senior Vice President and Chief Financial Officer
Gregory S. Nixon	53	Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary
George C. Krivo	54	Senior Vice President and Chief Operating Officer
Randall Bockenstedt	62	Senior Vice President, DynLogistics
Mark Mirelez	46	Vice President, AELS
Scott Rauer	50	Vice President, AOLC
Steven T. Schorer	58	Vice President, Strategic Development
Joseph M. Ford	57	Senior Vice President, Business Development
Barbara D. Walker	56	Senior Vice President, Human Resources

Each of our directors brings extensive management and leadership experience gained through their service in our industry and other diverse businesses. In these roles, they have taken hands-on, day-to-day responsibility for strategy and operations. In the paragraphs below, we describe specific individual qualifications and skills of our directors that contribute to the overall effectiveness of our Board of Directors (the “Board”) and its committees. In addition, as discussed in the paragraphs below, certain of our executive officers are employees of Cerberus Operations and Advisory Company, LLC ("COAC") and seconded to us pursuant to the COAC Agreement, which is described under "Certain Relationships and Related Transactions, and Director Independence" and Note 12 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

James E. Geisler is an employee of COAC who has served as our Non-executive Chairman of the Board of Directors since June 2015. Mr. Geisler joined COAC in August 2014 and served as our Interim Chief Executive Officer from August 2014 to June 2015. Mr. Geisler is currently a director of the Company and has been a director since September 2012. He has been a member of the Company's Audit Committee and Business, Ethics and Compliance Committee since September 2012, except for the period of time when he served as Interim Chief Executive Officer. Prior to joining COAC, Mr. Geisler was the Chief Operating Officer and Chief Financial Officer at CreoSalus, a Kentucky-based life-science company. Before joining CreoSalus in 2010, Mr. Geisler spent 17 years at United Technologies Corporation in roles including co-Chief Financial Officer and also as Vice President of Strategy leading business development and acquisitions. In addition to the Company's Board of Directors, Mr. Geisler is a director of PaxVax, Renovalia, Remington Arms, CTA Acoustics, and Keane Holding Group. He holds a Master's in Business Administration from the University of Virginia's Darden Graduate School of Business Administration and a Bachelor of Business Administration from the University of Kentucky. Mr. Geisler was selected to serve as the Non-executive Chairman of our Board of Directors because of his operational expertise as the Company’s Interim Chief Executive Officer and his extensive business management, board oversight and business development experience.

Chan Galbato currently serves as the Chief Executive Officer of COAC, a position he has held since March 2012. Mr. Galbato served as a Senior Operating Executive of Cerberus Capital Management, L.P. ("Cerberus") since 2009. He also serves as Chairman of Avon Products, Inc., Director of New Avon LLC, Director of Blue Bird Corporation, Chairman of YP Holdings LLC and is a member of the board of directors of Steward Health Care LLC. Prior to joining Cerberus, Mr. Galbato served as the Chief Executive Officer and President of the Controls Group at Invensys PLC, the President of Services for The Home Depot, and President and Chief Executive Officer of Armstrong Floor Products. From 2006 to 2013, he was also a director of the Brady Corporation, most recently as its Lead Director. He holds a Master’s degree in Business Administration from the University of Chicago and a Bachelor’s degree in economics from the State University of New York. Mr. Galbato was selected to serve as one of our directors because of his extensive experience in financing, private equity investments and board service.

General Michael Hagee (USMC Ret.) has been a director since July 2010. He is President and CEO of the Admiral Nimitz Foundation and is an independent consultant to corporate executives and business leaders. He served more than 38 years in the U.S. Marine Corps, finishing his active duty career as the 33rd Commandant of the Marine Corps and a member of the Joint Chiefs of Staff. General Hagee holds Master's degrees in electrical engineering and national security studies from the U.S. Naval Academy. He currently serves as a Non-Executive Director of Cobham, PLC. He previously served on the U.S. DoD Science Board and the National Security Advisory Council for the Center for U.S. Global Engagement and U.S. Global Leadership Campaign. General Hagee was selected to serve as one of our directors due to his extensive knowledge about our two largest clients - the DoD and the DoS - and substantial board and oversight experience, which allows him to bring additional perspective to our Board of Directors.

Brett Ingersoll has been a director since July 2010. Mr. Ingersoll has served as Senior Managing Director and Co-Head of Private Equity at Cerberus since January 2002. He is also a member of the boards of directors of PaxVax, Steward Healthcare System and Covis Pharmaceuticals. Mr. Ingersoll holds a Bachelor's degree in economics from Brigham Young University and a Master's degree in business administration from Harvard Business School. Mr. Ingersoll was selected to serve as one of our directors because he has extensive experience in financing, private equity investments and board service.

General John Tilelli (USA Ret.) has been a director since July 2010 and currently serves on the Board of Directors of VTK Miltope. General Tilelli is currently Chairman and CEO of Cypress International, Inc. He served two combat tours in Vietnam, commanded the 1st Cavalry Division during Operations Desert Shield and Desert Storm, and served four times in Germany. General Tilelli served as the Vice Chief of Staff of the Army, and concluded his active duty career as Commander in Chief of the United Nations Command, Republic of Korea, U.S. Combined Forces, and U.S. Forces Korea. He was appointed as President and CEO of the USO Worldwide Operations in March 2000. General Tilelli holds a Bachelor's degree in economics from Pennsylvania Military College, now Widener University, and was commissioned as an Armor Officer. He earned a Master's degree in administration from Lehigh University and graduated from the Army War College. General Tilelli was awarded honorary doctoral degrees by Widener University and the University of Maryland. General Tilelli was selected to serve as one of our directors due to his extensive knowledge about our two largest clients - the DoD and the DoS - and substantial board and oversight experience, which allows him to bring additional perspective to our Board of Directors.

Michael Sanford currently serves as a Managing Director, Co-Head of North American Private Equity, and a member of the Global Private Equity Investment Committee at Cerberus Capital Management, L.P. Prior to joining Cerberus in 2006, Mr. Sanford was at The Blackstone Group in its Restructuring and Reorganization Advisory Group. He also serves as the Chairman of the board of directors of Print Media LLC and as a member of the board of directors of Avon Products, Inc., New Avon LLC, YP Holdings LLC, Tier 1 Group LLC, and DynCorp International FZ-LLC. He holds a Bachelor’s degree with highest distinction in finance and international business from the Schreyer Honors College at the Pennsylvania State University. Mr. Sanford was selected to serve as one of our directors because he has extensive experience in financing and private equity investments.

Kim Fennebresque currently serves as a member of the Board of Directors at BlueLinx Holdings Inc. and as a senior advisor to Cowen Group Inc. (“Cowen”), a financial services company. He previously served as Chairman and Chief Executive Officer of Cowen and its predecessor SG Cowen from 1999 to 2008. Mr. Fennebresque currently serves on the Board of Directors of Ally Financial Inc. and Albertson’s LLC. Mr. Fennebresque served as Chairman of Dahlman Rose & Co., LLC (“Dahlman”), a financial services company, from 2010 to 2012, and as Chief Executive Officer of Dahlman from July 2011 until August 2012. He has also served as head of the corporate finance and mergers & acquisitions departments at UBS and was a general partner and co-head of investment banking at Lazard Frères & Co. Mr. Fennebresque also held various positions at The First Boston Corporation (now Credit Suisse). He is a graduate of Trinity College and Vanderbilt Law School. Mr. Fennebresque was selected to serve as one of our directors because he has extensive board, oversight and financing experience.

Lee Van Arsdale has been a director since January 2017 and also currently serves as the Chairman of the Board of Directors of Tier One Group. Mr. Van Arsdale has served as a principal in the Van Arsdale Associates, LLC since September 2009, a board member of the Thayer Leader Development Group since January 2010, and has been co-owner of American Manufacturer’s Group, LLC since March 2014. Mr. Van Arsdale served 25 years in the United States Army in three combat zones in leadership positions, and was decorated for valor with the Silver Star and Purple Heart. Following his military career, Mr. Van Arsdale was the Assistant General Manager for National Security Response at the Bechtel Nevada Corporation, he incorporated Unconventional Solutions, Inc. a private consulting firm, and he was the founding Executive Director of the University of Nevada Las Vegas Institute for Security Studies. Mr. Van Arsdale was the Chief Executive Officer of Triple Canopy, Inc. and previously served as chairman and president of M+M, Inc. Mr. Van Arsdale holds a Bachelor's degree in engineering from West Point, a Master's degree from the University of Colorado at Colorado Springs and is a graduate of the Armed Forces Staff College and the U.S. Army War College. Mr. Van Arsdale was selected to serve as one of our directors due to his extensive experience in and knowledge about our industry, which allows him to bring additional perspective to our Board of Directors.

Lewis Von Thaer has been our Chief Executive Officer since July 2015 and a director since June 2016. Mr. Von Thaer most recently served as President of the National Security Sector at Leidos Inc., responsible for leading the efforts in intelligence, surveillance, reconnaissance, cyber, logistics, and systems solutions. Prior to joining Leidos in 2013, Mr. Von Thaer was President of General Dynamics Advanced Information Systems and corporate vice president of General Dynamics Corporation. He also previously served as senior vice president of operations for General Dynamics Advanced Information Systems and was responsible for performance and acquisition integration throughout the enterprise. Until November 2003, Mr. Von Thaer served as General Dynamics Corporation's vice president and general manager of the company's Surveillance and Reconnaissance Systems strategic business unit. Mr. Von Thaer joined General Dynamics Corporation as vice president of engineering and chief technical officer when his previous employer, the Advanced Technology Systems division of Lucent Technologies, was acquired. He served as senior vice president for Advanced Technology Systems, responsible for all government programs, engineering, manufacturing, quality, contracting, and procurement. Mr. Von Thaer had worked at Lucent Technologies and its predecessor, AT&T Bell Laboratories, since 1983. Mr. Von Thaer holds a bachelor's degree in electrical engineering from Kansas State University and a master's degree in electrical engineering from Rutgers University. He serves as a member of the Defense Science Board, National Intelligence University Foundation, Tragedy Assistance Program for Survivors and is a member of the Executive Leadership Team for the American Heart Association's annual Heart Walk. Mr. Von Thaer was selected to serve as one of our directors because of his operational expertise as the Company's Chief Executive Officer and his extensive business management and business development experience.

William T. Kansky has been our Senior Vice President and Chief Financial Officer since August 2010. Previously he was Vice President and Chief Financial Officer at ITT Defense and Information Solutions, which he joined in April 2006. He has worked in the finance organizations of Westinghouse Broadcasting Company and Group W Information Services. He holds a Bachelor's degree in finance from Central Connecticut State University.

Gregory S. Nixon is a Managing Director of COAC who has been seconded to us as our Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary where he oversees the legal, contracts, human resources and compliance affairs of the Company since he joined COAC in September 2014. From October 2013 to August 2014, Mr. Nixon served as Chief Legal Officer of CH2M Hill Companies, Ltd. Prior to CH2M Hill, Mr. Nixon served as our Senior Vice President, Corporate Secretary and General Counsel. Previously, Mr. Nixon worked for McKinsey & Company Inc., from August 2007 to September 2009 as a Vice President. From September 2002 to August 2007, he was at Booz Allen Hamilton Incorporated as a Principal. Mr. Nixon also practiced law at the international law firm of Howrey & Simon LLP in their Commercial Litigation Group and Intellectual Property Group. After serving as a commissioned officer in the U.S. Air Force, Mr. Nixon held senior government positions in the U.S. Government Accountability Office and served as special counsel in the Department of Defense. He is a retired Lieutenant Colonel in the U.S. Air Force Judge Advocate General's Corps Reserve. Mr. Nixon is a licensed patent attorney. Mr. Nixon has a Bachelor's of Science in mechanical engineering from Tuskegee University and a Juris Doctor degree from Georgetown University Law Center.

George C. Krivo is a COAC employee who has been seconded to us as our Chief Operating Officer as of October 2016. Prior to his current role, he was seconded to us as our Senior Vice President, DynGlobal since January 2016 and was seconded to us as our Senior Vice President, Business Development since he joined COAC in September 2014. From December 2010 to May 2014, Mr. Krivo was employed by us and held numerous positions, including serving as our Senior Vice President of DynLogistics from March 2013 until May 2014, our Senior Vice President of Business Development from January 2011 to March 2013 and our Vice President, Land Systems in our Global Platform Support Solutions segment from December 2010 to January 2011. Previously, Mr. Krivo served as vice president and division manager for Science Applications International Corporation (SAIC) before joining us in August 2009. From August 2005 to December 2008, Mr. Krivo was vice president and general manager of DRS Technologies' Engineering & Logistics Enterprise and led business development for the land vehicle electro-optical/infrared business. From 1985 to 2005, Mr. Krivo served as an active duty commissioned officer in the U.S. Army. Mr. Krivo's military experience includes serving as policy advisor to the chairman of the Joint Chiefs of Staff; strategy advisor to the Chief of Staff of the Army, senior military spokesperson for coalition forces in Iraq, operations officer for a Patriot missile brigade in Germany and commander of an armored and mechanized Task Force in Bosnia. Mr. Krivo holds a Master of Arts from the University of Oklahoma and a Bachelor of Arts from Cornell College.

Randall Bockenstedt has been our Senior Vice President, DynLogistics since September 2014. Mr. Bockenstedt joined the company in February 2010 and has served in several leadership roles, including leading the Operations and Maintenance Business Area Team. He also previously served as program director for the FIRST IDIQ, which includes programs at Fort Campbell, Kentucky, and Fort Bliss, Texas from April 2010 to September 2011. Mr. Bockenstedt has experience working on a number of global base operations and logistics programs which began with his service in the U.S. Army. He holds a Master's degree in strategic studies from the Air War College as well as a Master's degree in Public Administration from Shippensburg University of Pennsylvania.

Mark Mirelez has been our Vice President, AELS since October 2016. Mr. Mirelez joined the Company in February 2010 and served in several leadership roles, including our Vice President of Supply Chain and our Vice President of DynAviation's Air Force business area team. Previously, Mr. Mirelez served as senior vice president of Norvell Electronics and senior director of subcontracts at Rockwell Collins. Mr. Mirelez has over twenty years of supply chain and finance experience, which began with his service in the U.S. Air Force. He holds a Master's of Science degree from Abilene Christian University and a Bachelor's of Science degree from the United States Air Force Academy in Colorado Springs, Colorado.

Scott Rauer has been our Vice President, AOLC since October 2016. Mr. Rauer joined the Company in January 2013 and prior to his current role, he led our DynAviation Army business area team. He previously served as the Army Programs Manager for Northrop Grumman Electronics Systems and has over 28 years of experience in the aerospace and defense industry, having held leadership positions in both military and commercial organizations. Mr. Rauer retired from the United States Army in 2011 at the rank of Colonel having finished his 22 year career as the Kiowa Warrior Product Manager. He holds a Master's Degree in Aerospace Engineering from the Georgia Institute of Technology, a Bachelor's Degree in Engineering Physics from the United States Military Academy and is a graduate of the United States Naval Test Pilot School.

Steven T. Schorer was our Vice President of Strategic Development from October 2016 to March 2017 and previously was our President, Aviation Group Leader from May 2015 until October 2016. Effective March 17, 2017, Mr. Schorer's employment as Vice President of Strategic Development was terminated. Mr. Schorer worked as an independent consultant from December 2013 until April 2015 and he served as our President from November 2010 to November 2013. Mr. Schorer joined the company in April 2009 as President of our operating company's Global Platform Support Solutions segment. Mr. Schorer has more than 25 years of experience in the aerospace and defense industry, and a diverse background in general management, international business development, program management, and engineering. From 2003 to 2008, he was President of the C4I segment at DRS Technologies, Inc., a $1.5 billion operation with 22 sites and over 5,000 employees. Before that, Mr. Schorer served as president and general manager of the Ocean Systems Division of L-3 Communications. He has also worked for Allied Signal Aerospace, Lockheed Missiles and Space, Raytheon, and Hughes Aircraft. Mr. Schorer has a Bachelor of Science degree in electrical engineering from the University of Massachusetts. He completed executive management programs at the Anderson School of Executive Management, University of California, Los Angeles, and at the American Graduate School of International Management in Phoenix.

Joseph M. Ford has been our Senior Vice President, Business Development since January 2016. Prior to his current role, Mr. Ford was our Group Vice President, Business Development since the time he joined the Company in August 2015. From August 2014 to August 2015, Mr. Ford was an independent consultant. From July 2011 to August 2014, Mr. Ford was Senior Vice President, Chief Operating Officer for Beechcraft Defense Company where he was responsible for leadership and execution of programs and operations. From June 2008 to February 2011, Mr. Ford was a Vice President at AAR Corp where he established the Legislative Affairs office and served as Presidential Airways General Manager and COO. Mr. Ford retired as a Colonel from the United States Air Force. He holds a Master's of Science from Troy University, a Master's from Marine Corps University and has completed the Executive Program for Strategy and Innovation from the Massachusetts Institute of Technology - Sloan School of Management.

Barbara D. Walker has been our Senior Vice President, Human Resources since January 2016. From September 2006 to December 2015, Ms. Walker held various executive level human resources positions within the Company including leading our former DynAviation segment Human Resources and our Worldwide Recruiting and Staff Services function. She has been a part of the Company since 1979, having held progressively more senior level roles throughout this time, each with increasing responsibility.

CORPORATE GOVERNANCE

Code of Ethics and Business Conduct

Every action or decision at the Company is based upon our values: We Serve, We Care, We Empower, We Perform, We Do the Right Thing. Our Code of Ethics and Business Conduct ("Code") establishes requirements and direction to translate these values into action, every day, and for everything we do. Employees, directors, officers, contractors, and agents are expected to operate in a manner consistent with these values and this Code. It is our commitment to conduct business honestly, ethically and in accordance with best practices and the applicable laws of the U.S. and other countries in which we operate.

We have a comprehensive and longstanding ethics and compliance program in support of our Code. It includes mandatory training on a wide range of topics, consistent communication, and a robust system to report concerns or potential violations. We are guided at all times by the highest standards of integrity, whether dealing with customers, co-workers, or others. By operating each day with this commitment in mind we can provide a solid return to our shareholders, develop meaningful work for our employees, and create something of value for our communities. The Code addresses, among other matters, the obligation of accounting and financial personnel to maintain accurate records of the Company's operations, comply with laws and report violations. Our Code is posted on our website, http://www.dyn-intl.com, under the heading "Investor Relations - Corporate Governance".

Corporate Governance Guidelines and Information

We are committed to maintaining and practicing the highest standards of ethics and corporate governance. The Board has adopted Corporate Governance Guidelines that provide a flexible framework within which the Board and its committees oversee the governance of the Company. These guidelines are available on our website, http://www.dyn-intl.com, under the heading "Investor Relations - Corporate Governance". The Board of Directors assesses the Corporate Governance Guidelines annually. The Corporate Governance Guidelines addresses, among other matters, the duties of the Board and its Committees, Board composition and criteria, procedures for annual evaluation of the Board and the Chief Executive Officer, executive succession planning and communications with other constituents.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established three standing committees: (1) Audit, (2) Business Ethics and Compliance and (3) Compensation. In addition, special committees may be established under the direction of the Board when necessary to address specific issues. As of December 31, 2016 the committees consisted of the following members of the Board:

Name	Audit (1)	Business Ethics and Compliance (1)	Compensation (1)
James E. Geisler	X	X	X
Chan Galbato			X
General Michael Hagee (USMC Ret.)	X	C	X
Brett Ingersoll	X		C
General John Tilelli (USA Ret.)	C	X	X
Michael Sanford	X		
Kim Fennebresque	X		
Lewis Von Thaer			

C - Committee Chairman

X - Committee Member

(1) Lee Van Arsdale was appointed to the Board of Directors in January 2017 and as of January 2017 serves as a member of each of the three standing committees.

STANDING COMMITTEES

Audit Committee

The Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, certain compliance issues and accounting matters. The Audit Committee is also responsible for the oversight of (i) management's assessment of internal controls; (ii) our internal audit function; (iii) the Company's policies and practices with respect to enterprise risk management programs and processes; and (iv) audits of the Company's financial statements on behalf of the Board. Among other duties, it is directly responsible for the selection and oversight of our independent auditors. The functions of the Audit Committee are further described in the Audit Committee's charter. The Audit Committee met five times during the year ended December 31, 2016 . The Audit Committee met on March 7, 2017 in relation to the year ended December 31, 2016 . The Audit Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance."

Even though our stock is not publicly traded as of the Merger, in accordance with our Corporate Governance Guidelines, members of the Audit Committee who are determined by the Board to be independent, if any, within the meaning of our Corporate Governance Guidelines must satisfy the requirements of the New York Stock Exchange ("NYSE"). The Board determined that General Tilelli, General Hagee, and Mr. Fennebresque are independent Directors for calendar year 2016 and Mr. Van Arsdale is an independent Director as of January 2017. Mr. Geisler, Mr. Ingersoll and Mr. Sanford are not considered as independent Directors because of their employment with Cerberus.

The Board does not prohibit its members from serving on boards or committees of other organizations, and has not adopted any specific guidelines limiting such activities. However, the service on boards or committees should be consistent with the Company's conflict of interest policies and the terms of the charters of the various committees of the Board.

The Board has determined that Messrs. Geisler, Ingersoll, Hagee, Sanford and Fennebresque are "audit committee financial experts" as defined by the United States Securities and Exchange Commission ("SEC") rules. Mr. Geisler, General Hagee, Mr. Ingersoll, Mr. Sanford and Mr. Fennebresque currently serve on the Audit committees of other public companies in addition to our Audit Committee, and the Board has determined that their simultaneous service does not impair their ability to serve effectively on the Company's Audit Committee.

Business Ethics and Compliance Committee

The Business Ethics and Compliance Committee is responsible for (i) overseeing and monitoring the Company's conformance with good business practices, public image and Government and industry standards, (ii) assisting the Board in its general oversight of the Company's compliance with the legal and regulatory requirements of the Company's business operations and (iii) overseeing the ethics and compliance program, including the compliance with the Code.

The Business Ethics and Compliance Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations - Corporate Governance."

Compensation Committee

Our Compensation Committee is responsible for making recommendations to the Board concerning the compensation of the CEO and other executive officers, including the appropriateness of salary, incentive compensation, equity-based compensation plans and certain other benefit plans. Our Compensation Committee evaluates the performance of the CEO and other executive officers in setting their compensation levels and considers the Company's performance, as well as other factors deemed appropriate by our Compensation Committee. Our Compensation Committee occasionally engages independent consulting firms to review and evaluate various elements of the CEO's and other executive officers' total compensation, as discussed below under "Compensation Discussion and Analysis." Our Compensation Committee met four times during the year ended December 31, 2016 .

Our Compensation Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance."

ITEM 11. *EXECUTIVE COMPENSATION.*

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis ("CD&A") describes the policies and objectives underlying our compensation program for our Named Executive Officers ("NEOs"). Accordingly, this section addresses and analyzes each element of our NEOs' compensation program. Our NEOs were made up of our (1) current CEO, (2) current CFO and (3) three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers as of December 31, 2016 . This section also presents a series of tables containing specific information about the compensation awarded to, earned by or paid to our NEOs. For the year ended December 31, 2016 , our NEOs were:

- Lewis Von Thaer, Chief Executive Officer as of December 31, 2016 , who is a named executive officer by reason of his position with us;
- William T. Kansky, Senior Vice President and Chief Financial Officer as of December 31, 2016 , who is a named executive officer by reason of his position with us;
- George C. Krivo, a COAC employee seconded to us as Chief Operating Officer and former Senior Vice President, DynGlobal, who is a named executive officer by reason of his level of compensation as an executive officer;
- Gregory S. Nixon, a COAC employee seconded to us as Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary, who is a named executive officer by reason of his level of compensation as an executive officer;
- Steven T. Schorer, Vice President of Strategic Development and former President, Aviation Group Leader, who is a named executive officer by reason of his level of compensation as an executive officer. Effective March 17, 2017, Mr. Schorer's employment as Vice President of Strategic Development was terminated.

Executive Summary

The Compensation Committee believes that the success of the Company in achieving its strategic objectives will depend in large part on the ability to attract and retain exceptional executive talent and to align the interests of all executives with investor success. The Compensation Committee has established an approach to executive remuneration that it believes will help achieve this mission and reduce the risks surrounding executive performance.

To provide the necessary and appropriate support to achieve investor success, the Compensation Committee uses the following approach:

- providing cash compensation opportunities, including base salary and incentive compensation, to executive officers that, in the aggregate, reflect general industry practice; requiring that in order to earn targeted cash compensation levels, executive officers must meet financial objectives approved in advance by the Compensation Committee;
- providing equity and other long-term incentives that reward executives for successful value creation, on terms comparable to those of our investors; and
- allowing individual pay levels to vary considerably with individual executive responsibilities, capabilities and performance.

Executive Compensation Philosophy

Our Compensation Committee believes our compensation programs must assist us in attracting and retaining superior talent, and should motivate our NEOs to achieve our business objectives. Based on this philosophy, the compensation of our NEOs includes a combination of salary, annual incentive (i.e., cash bonuses), long-term incentives and in some instances equity compensation, and other employment benefits. Salary and other employment benefits are intended to provide a competitive foundation for attracting and retaining executives. The annual cash bonus is intended to incentivize and reward management for achieving financial milestones. The Company maintains an equity compensation plan and a long-term incentive plan for certain executives which together with cash compensation opportunities described below will provide competitive total remuneration when, and to the extent, investor objectives are realized. The Compensation Committee maintains such plans to better align compensation with investor objectives and to cause a portion of our NEOs' compensation to be contingent upon the long-term success of the Company.

Our Compensation Committee received advice and resources internally regarding the design of our executive compensation programs, including NEO pay practices. The Compensation Committee did not establish any specific percentile pay objectives during or for calendar year 2016 . The Compensation Committee operates to ensure individual NEO compensation opportunities are commensurate with executive skills, leadership, performance and role impact. In addition, our Compensation Committee ensures that the aggregate cost of executive talent is generally within the range of competitive practice.

DynCorp Management LLC (“DynCorp Management”) maintains an Equity Incentive Plan to issue authorized classes of membership interests. DynCorp Management was formed in October 2013 between Cerberus Series Four Holdings LLC (“Cerberus Series Four”), Cerberus Partners II, L.P. (“CP II”), Defco Holdings, Inc. ("Holdings"), the non-member manager and certain members of management and outside directors (“Members” or future “Members”) of the Company, solely for acquiring, managing and disposing of shares of common stock of Holdings. All of DynCorp International Inc.'s issued and outstanding common stock is owned by the Company, and all of the Company's issued and outstanding common stock is owned by our parent, Holdings. Awards of DynCorp Management Class B-1 Interests, Class B-2 Interests and Class B-3 Interests are made to certain members of management and outside directors of Holdings and its subsidiaries, including Delta Tucker Holdings, Inc. The grant and vesting of the awards is contingent upon the executive’s consent to the terms and conditions set forth in the Class B-1 Interests, Class B-2 Interests and Class B-3 Interests Agreements.

The Company maintains a long-term cash incentive bonus for certain members of management and outside directors, where in the event of a change in control, subject to the continued employment with the Company by the various members of management through such a change in control and execution of a restrictive covenant agreement within fourteen days of receipt of such agreement, the various members of management shall be eligible to receive a cash incentive bonus. As of December 31, 2016 there was no impact to the financial statements as no triggering event had occurred.

Our long term cash incentive bonus was extended to certain executives as they were deemed necessary to the ongoing performance of the Company's, and its subsidiaries, operations. As such, the long term incentive bonus is intended to retain the services of the executives in the event of a change in control.

We are a party to employment agreements with Mr. Von Thaer, Mr. Kansky and Mr. Schorer which establish a minimum salary, annual incentive compensation targets and also provides for termination payments under certain circumstances. Additionally, Mr. Von Thaer is provided a supplemental transition bonus which is intended to compensate him for the loss of unvested equity in his prior firm when he joined us as our Chief Executive Officer. We believe that securing the agreement of these key individuals provides a reasonable level of income security for the executive and covenant protections for the business. The Board of Directors retains discretion to provide employment agreements to and execute on the Company's behalf secondment agreements for our NEOs.

Executive Compensation Oversight

Our executive compensation program is administered by our Compensation Committee. As reflected in its charter, our Compensation Committee is charged with reviewing and approving executive salaries, incentive arrangements, and goals and objectives relevant to the performance of our NEOs. Furthermore, our Compensation Committee is also responsible for overseeing all other aspects of executive compensation including executive benefits and perquisites, post-employment benefits and employment agreements. In addition, our Compensation Committee appraises the performance of our NEOs in light of these goals and objectives and sets compensation levels based on this evaluation.

Secondments

For those NEOs that are secondees to the Company, typically no compensation is paid directly by the Company to the NEO, except for discretionary service fee payments which may be paid directly to the seconded NEO due to administrative or timeliness reasons. Rather, COAC pays the NEO directly as the employer and the Company pays COAC pursuant to the applicable secondment agreement for the services provided to the Company by the NEO. The Company is not involved with setting compensation or benefits paid by COAC to our seconded NEOs.

Use of Consultants

Our Compensation Committee did not retain or otherwise use the services of a compensation consultant for the year ended December 31, 2016 . The Compensation Committee may use the services of a compensation consultant in the future as it may determine in its discretion.

Elements of our Executive Compensation Program

The primary elements of our executive compensation program, which covers our non-seconded NEOs as well as other officers and key executives of the company, for the year ended December 31, 2016 were:

- base salary;
- an annual incentive bonus, paid in cash;
- share based compensation plan;
- long-term incentive bonus plan;
- a tax-qualified savings plan with matching company contributions; and
- perquisites and other personal benefits.

In setting compensation amounts for each such NEO, our Compensation Committee considers, among other factors, the responsibilities, performance and experience of the executive, as well as comparative market pay data. In setting initial target compensation levels the Compensation Committee sets both a salary and a target annual incentive amount, expressed as a percent of base salary. Subsequent increases to base salary are set based on an evaluation of individual performance, as well as responsibilities and comparative market data. Changes to the annual cash incentive target are based on individual executive responsibilities, within the general parameters of competitive practice.

Given satisfactory performance evaluations and achievement of investor financial objectives, our goal is to manage NEO cash compensation (salary and annual cash bonus) within the range of competitive practice. The long-term incentive plan and equity compensation plan implemented in 2013, for certain members of management and outside directors, in combination with cash compensation, is intended to provide competitive total remuneration when investor objectives are realized, subject to the executives' and directors' continued employment with the Company. The combination of compensation plan elements provides for superior pay opportunities that are externally competitive and align with the business objectives of the Company while ensuring investors' objectives are achieved.

Further specifics with regard to each element of compensation are discussed in the sections below.

Base Salary

We pay our non-seconded NEOs a base salary as fixed compensation for their time, efforts and commitments throughout the year. Salary levels are typically reviewed annually as part of our performance review process as well as upon a promotion or other change in job responsibility. Our review cycle for base salary increases for calendar year 2016 occurred from January to March. Due to competitive pressures within our industry, we froze salary increases for calendar year 2014 and in some instances requested certain executives to take a voluntary, yet temporary, pay reduction to their base salary. In 2015, we restored these executives back to their previous salary levels.

In reviewing base salary, the Compensation Committee considers, among other performance standards, the NEO's contributions in assisting the Company in meeting its financial targets, improving operational efficiencies, creating and executing a clear strategy, leading and overseeing significant company driven projects and creating a winning culture of compliance and safety. Generalized competitive pay data in survey format is reviewed by our Compensation Committee as a reference point, but does not necessarily control the Compensation Committee's pay decisions.

Base salaries are included in total salary, as reflected in column (c) of the “Summary Compensation Table” below, and further described below in the “NEOs on an Individualized Basis” section. Base salaries are also described in the table below under Incentive Bonus Compensation.

Incentive Bonus Compensation

We have established the Management Incentive Plan ("MIP") to provide additional annual cash compensation to eligible participants for their contribution to the achievement of our objectives, to encourage and stimulate superior performance and to assist in attracting and retaining highly qualified executives.

Under the MIP, target bonus amounts for the year ended December 31, 2016 were based on a percentage of base salary, according to each non-seconded NEO's level and overall job responsibilities. This method of assigning each applicable NEO a MIP target bonus percentage is consistent with our compensation philosophy, as discussed within the “Executive Compensation Philosophy” section above. Actual incentive bonus compensation paid to each executive is reflected in column (f) of the “Summary Compensation Table” below, and further described below in the “NEOs on an Individualized Basis” section.

Specific target bonus percentages are set forth in the following table:

Covered NEO	Calendar Year	Annual Base Salary		Annual Target Bonus Percentage	Annual Target Bonus Amount	
Mr. Von Thaer	2016	$	800,000	100%	$	800,000
Mr. Kansky	2016	$	800,000	100%	$	800,000
Mr. Krivo (1)	2016	$	—	—%	$	—
Mr. Nixon (1)	2016	$	—	—%	$	—
Mr. Schorer	2016	$	675,000	100%	$	675,000

(1) As seconded executives, Mr. Krivo and Mr. Nixon do not participate in the MIP.

Bonuses are paid under the MIP based on the attainment of certain financial performance targets that were approved by our Compensation Committee, as set forth below. The MIP provides that the target bonus percentages and performance targets will be established annually during the first 90 days of the plan year. The corporate performance payout percentage for MIP payout was 120% of the target amount as of December 31, 2016 . The Compensation Committee may, in its sole discretion, increase or reduce the amount of any individual award.

For the year ended December 31, 2016 , the financial performance metrics for our eligible NEOs included adjusted earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”), orders and free cash flow. Each eligible NEO's bonus payout formula is based on performance metrics tied to our consolidated performance. Adjusted EBITDA is calculated by adjusting EBITDA for the items described below. We use Adjusted EBITDA as it provides a meaningful measure of operational performance on a consolidated basis because it eliminates the effects of period to period changes in taxes, costs associated with capital investments and interest expense, and adjusts for certain items as defined in our New Senior Credit Facility and Indenture, see “Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Measures” for additional information. We established orders as a key measure, as it measures future revenue related to new business and growth to existing business and is consistent with our long-term strategic operational growth plan. We reward effective management of free cash flow as it is reflects how well we are managing the cash flows of our operating activities.

Bonuses earned by our non-seconded NEOs under the MIP for performance for the year ended December 31, 2016 , are reflected in column (f) of the “Summary Compensation Table” below. Our consolidated performance targets and actual results for the year ended December 31, 2016 were as follows:

Calendar Year Ended	Performance Metric		Performance Targets	Weighting of Performance Metrics	Actual Results
December 31, 2016	Adjusted EBITDA	$	88.1 million	60%	$101.0 million
	Orders [(1)]	$	2,100.0 million	20%	$2,582.0 million
	Free Cash Flow [(2)]	$	11.0 million	20%	$34.0 million

(1) Orders utilized for performance metric purposes are calculated as the funded and unfunded net changes to contract values, including exercised and unexercised options as of December 31, 2016 . Estimated future task orders under IDIQ contracts are not considered Orders until the task orders are awarded.

(2) Free cash flow utilized for performance metric purposes is calculated as cash flows from operating activities less purchased property and equipment and purchased software in calendar year 2016 .

Calendar Year 2016 Incentive Bonus Compensation

Approved bonuses are set forth in the following table:

Covered NEO	Calendar Year		Approved Bonus Amount [(1)]
Mr. Von Thaer	2016	$	960,000
Mr. Kansky	2016		960,000
Mr. Krivo [(2)]	2016		—
Mr. Nixon [(2)]	2016		—
Mr. Schorer [(3)]	2016		—

(1) This reflects the bonus amount approved by the Committee on March 7, 2017 for each NEO. As noted above, the approval percentage was 120% as of December 31, 2016 .

(2) As seconded executives, Mr. Krivo and Mr. Nixon do not participate in the MIP.

(3) At the discretion of the Compensation Committee, Mr. Schorer was not awarded incentive bonus compensation based on his calendar year 2016 performance.

Long-Term Incentive Compensation Plan

The Company maintains a long-term cash incentive bonus for certain executives, where in the event of a change in control, subject to the executives' continued employment with the Company through such a change in control and execution of a restrictive covenant agreement within fourteen days of receipt of the executed agreement, the executive shall be eligible to receive a cash incentive bonus as set forth in each respective individual's agreement.

Equity Incentive Plan

The Company maintains an Equity Incentive Plan to issue authorized classes of membership interests in DynCorp Management for the purpose of providing long-term equity compensation to certain members of management and outside directors. DynCorp Management granted Class B-1 Interests, Class B-2 Interests and Class B-3 Interests to certain executives employed by Holdings and its subsidiaries, including Delta Tucker Holdings, Inc. The vesting of the awards is contingent upon the NEO's consent to the terms and conditions set forth in the Class B-1 Interests, Class B-2 Interests and Class B-3 Interests Agreements.

The Class B-1 Interests, Class B-2 Interests and Class B-3 Interests are subject to (i) time-based vesting in separate tranches based on the participants' hire date (with each tranche subject to a specific "Vesting Date"); (ii) acceleration of vesting in certain circumstances (such as in the event of a change in control or termination of the executive without cause); and (iii) continued employment of the recipient by Holdings or its subsidiaries through the applicable Vesting Dates.

Mr. Von Thaer was the only NEO to receive new equity awards in calendar year 2016, for which he was granted Class B-3 Interests. The Class B-3 Interests participant shall vest in four equal installments of 25% each starting with the grant date, and then on June 15, 2017, June 15, 2018 and June 15, 2019. Time based vesting provides for ample retention incentives and economic Class B interests align investors and participants, such that participants are rewarded for successes in the business.

Savings Plan

Each non-seconded NEO is eligible to participate in our tax-qualified 401(k) plan on the same basis as all other eligible employees. We provide a Company matching contribution under the 401(k) plan on a non-discriminatory basis. The matching contributions paid by us on behalf of our NEOs are reflected in column (g) of the "Summary Compensation Table" presented below. Details of the plan are discussed in Note 6 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The Company has a non-qualified unfunded and unsecured deferred compensation plan that is offered to certain members of management allowing for the deferral of salary and bonuses without the statutory limitations present in 401(k) savings plan ("Savings Plan"). The elections under the Savings Plan must be completely separate and independent of each other. Under the saving plan, the deferral amount limitation is 100% of salary and 100% of bonuses and each participant shall be 100% vested in their accounts, at all times. The Company makes no contributions into the plan and currently the plan only includes contributions by the respective participants. The account balances are not indexed in any particular investments and do not realize earnings.

Perquisites and Other Personal Benefits

We maintain group medical and dental insurance, accidental death insurance and disability insurance programs for our employees, as well as customary vacation and other similar employee benefits. Non-seconded NEOs are eligible to participate in these programs on the same basis as our other U.S. based salaried employees.

Our Compensation Committee established an Executive Benefits Plan for designated executives including our NEOs, under which they are reimbursed up to $15,000 per year on a pre-tax basis for annual physical examinations not covered by our group health plans, as well as personal income tax services and estate planning services. Payments under the Executive Benefits Plan are grossed up to compensate for income taxes on the payments. For the year ended December 31, 2016 payments in the aggregate tax adjusted amount of $34,256 , were made to our NEOs under this plan and are reflected in column (g) of the Summary Compensation Table.

The cost we incurred in providing term life insurance benefits to each of our non-seconded NEOs is reflected in the "Cost of Insurance Policies" column of the “All Other Compensation" table below. This benefit is generally available to most U.S. based non-union employees.

Mr. Von Thaer, Mr. Schorer and Mr. Krivo are each provided with a special travel accident policy with a benefit payout amount of $3,000,000 and an annual premium of $18,025 . Mr. Nixon was provided with a special travel accident policy with a benefit payout amount of $3,000,000 from January 1, 2016 to March 13, 2016 with an annual premium of $3,591 . Mr. Kansky was not provided with a special travel accident policy during calendar year 2016. Each NEO's respective taxable share of the premium for such insurance is reflected in the "Cost of Insurance Policies" column of the “All Other Compensation" table below.

Employment Agreements and Post-Employment Benefits

Our Compensation Committee believes it generally to be in our best interests to design compensation programs that: (i) assist us in attracting and retaining qualified executive officers; (ii) provide certainty about the consequences of terminating certain executive officers’ employment; and (iii) most importantly, protect us by obtaining post-termination covenants. Mr. Von Thaer, Mr. Kansky and Mr. Schorer are the only NEOs with employment agreements as of December 31, 2016 . See further discussion in the Executive Compensation section below.

NEO Compensation on an Individualized Basis

The following paragraphs describe the manner in which our Compensation Committee determined the specified amount of each element of compensation for non-seconded NEOs on an individualized basis for the year ended December 31, 2016 . Actual compensation under the MIP may differ from targeted compensation based on the achievement of Company annual financial performance targets or through discretionary action by our Compensation Committee. See the “Base Salary,” “Incentive Bonus Compensation” and the "Equity Incentive Plan" for general discussion on the compensation elements discussed below. Other compensation, including 401(k) matching, professional fees reimbursement and related benefits generally available to all domestic employees, are provided to the NEOs, but are not a significant portion of their compensation.

Mr. Von Thaer's annual base salary was $800,000 as of December 31, 2016 . Mr. Von Thaer's salary was established upon his employment as Chief Executive Officer in July 2015. For calendar year 2016 and forward, Mr. Von Thaer is eligible through our annual MIP program to earn a target annual incentive bonus compensation equal to 100% of his salary, with the opportunity to earn an amount above his target bonus if performance target levels are met or exceeded, as noted under "Incentive Bonus Compensation" above. Mr. Von Thaer received a supplemental transition bonus payment of $750,000 in July 2016 and is eligible to receive a supplemental transition bonus in the form of two additional payments of $750,000 in July 2017 and $1,500,000 in July 2018, subject to his continuing employment. The supplemental transition bonus is intended to compensate Mr. Von Thaer for the loss of unvested equity in his prior firm when he joined us as our Chief Executive Officer. Mr. Von Thaer was awarded 20,000 Class B-3 Interests in November 2016 through the equity incentive plan. See "Summary Compensation" and "All Other Compensation" within the Executive Compensation section below for further discussion.

Mr. Kansky's annual base salary was $800,000 as of December 31, 2016 . Mr. Kansky was eligible, through our MIP program, to earn a target annual incentive bonus compensation equal to 100% , of his salary, with the opportunity to earn up to 200% of his base salary if certain performance levels, as noted under "Incentive Bonus Compensation" above, were achieved. Mr. Kansky is eligible to receive a long-term cash incentive bonus of $832,000 as set forth in the long term incentive awards presented in December of 2013 in the event of a change in control, subject to his continued employment with the Company through such a change in control. Additionally, Mr. Kansky earned consulting fees from Cerberus, related to an agreement for which the Company is not a party, of $550,000 in calendar year 2016. As of December 31, 2016 , Mr. Kansky did not receive any long-term cash incentive bonus as no triggering event had occurred. Mr. Kansky holds Class B-2 interests through the equity incentive plan. Interests were awarded to him in 2013. See "Summary Compensation" and "All Other Compensation" within the Executive Compensation section below for further discussion.

As a seconded executive, COAC charged the Company approximately $1,300,000 for the services Mr. Krivo provided to DI during the calendar year 2016. As a seconded executive, Mr. Krivo does not participate in our MIP program. See "Summary Compensation" and "All Other Compensation" within the Executive Compensation section below for further discussion.

As a seconded executive, COAC charged the Company approximately $2,000,000 for services Mr. Nixon provided to DI during the calendar year 2016. As a seconded executive, Mr. Nixon does not participate in our MIP program. See "Summary Compensation" and "All Other Compensation" within the Executive Compensation section below for further discussion.

Mr. Schorer's annual base salary was $675,000 as of December 31, 2016 . Mr. Schorer was eligible through our MIP program to earn target annual incentive bonus compensation of 100% of his base salary if certain performance levels, as noted under "Incentive Bonus Compensation" above, are achieved. See "Summary Compensation" and "All Other Compensation" within the Executive Compensation section below for further discussion.

Tax Implications of Executive Compensation

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (“Section 162(m)”), limits the deduction for a publicly held corporation for otherwise deductible compensation to any “covered employee” to $1,000,000 per year. Since we are a private company and our equity is not publicly traded, Section 162(m) is not applicable to the Company.

RISK MANAGEMENT IMPLICATIONS OF EXECUTIVE COMPENSATION

In connection with its oversight of compensation related risks, our Compensation Committee and management annually evaluates whether our Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on our Company. Our compensation for our non-seconded NEOs (base salary or management incentive plan bonus compensation) is driven by either the passage of time (based on salaries established through market studies) or by a narrow set of performance metrics: (i) Adjusted EBITDA; (ii) orders; and (iii) free cash flow. Compensation based on the passage of time does not create risk-taking incentives. Therefore, we have focused our consideration of risk and rewards on the compensation driven by the three performance metrics.

The structure of our incentive bonus program, which is based on multiple performance metrics, mitigates risks by avoiding employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business. We believe our performance measures are well aligned with creating long-term value and do not create an incentive for excessive risk taking. With respect to seconded NEOs, we believe that the rate of compensation paid to COAC for services its employees provided to us on a seconded basis eliminates any such excessive risk taking. Based on this evaluation, our Compensation Committee determined that our compensation programs do not encourage risk taking that is reasonably likely to have a material adverse effect on the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee consists of Brett Ingersoll, General Michael Hagee (USMC Ret.), General John Tilelli (USA Ret.), Chan Galbato and Lee Van Arsdale, none of whom were at any time during the year ended December 31, 2016 or at any other time, an officer or employee of the Company or any of our subsidiaries. James Geisler joined the Compensation Committee after ending his role as Interim CEO in July 2015. Mr. Ingersoll, Mr. Geisler and Mr. Galbato are Cerberus employees.

Pursuant to the terms of the COAC Agreement, Cerberus makes personnel available to us for the purpose of providing reasonably requested business advisory services. Consulting fees incurred for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 totaled $5.8 million , $8.1 million and $4.9 million respectively. See Note 12 for additional information on the COAC Agreement.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Disclosure and Analysis be included in this Report.

The Compensation Committee consists of:

Brett Ingersoll, Chairman

James E. Geisler

General Michael Hagee (USMC Ret.)

General John Tilelli (USA Ret.)

Chan Galbato

Lee Van Arsdale

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth information regarding compensation for the calendar year 2016 , calendar year 2015 , and calendar year 2014 , awarded to, earned by or paid to our NEOs.

Name and Principal Position	Calendar/ Fiscal Year (1)	Salary ($)	Bonus ($)	Stock (Equity) Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Lewis Von Thaer Chief Executive Officer	2016	800,000	750,000	29,903	960,000	92,253	2,632,156
	2015	338,545	500,000	—	900,000	44,481	1,783,026
William T. Kansky Senior Vice President, Chief Financial Officer	2016	800,000	—	—	960,000	615,562	2,375,562
	2015	800,000	—	—	760,000	1,045,600	2,605,600
	2014	760,000	—	—	—	1,073,904	1,833,904
George C. Krivo Senior Vice President, Chief Operating Officer	2016	—	—	—	—	1,318,025	1,318,025
	2015	—	—	—	—	775,755	775,755
	2014	192,115	—	13,179	—	409,169	614,463
Gregory S. Nixon Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary	2016	—	—	—	—	2,003,590	2,003,590
	2015	—	—	—	—	1,766,952	1,766,952
	2014	—	—	—	—	548,652	548,652
Steven T. Schorer Vice President, Strategic Development	2016	675,000	—	—	—	78,542	753,542
	2015	724,365	100,000	—	641,300	1,217,731	2,683,396

(1) Information is not presented for Mr. Von Thaer and Mr. Schorer for the periods prior to the year of becoming NEOs.

(2) The amounts reported in column (e) represents the aggregate grant date fair value of service-based Class B Interests, which was computed in accordance with FASB Accounting Standards Codification ("ASC") 718, *Compensation - Stock Compensation* .

(3) The amounts reported in column (f) represent cash bonuses that were earned for calendar year 2016 , calendar year 2015 and in calendar year 2014 pursuant to our MIP, which is discussed above under the heading “Incentive Bonus Compensation.”

(4) The amount of each component of All Other Compensation reported in column (g) for each NEO is set forth in the "All Other Compensation" table below. Compensation for the services rendered by NEOs seconded to the Company by COAC is reflected in the All Other Compensation table.

All Other Compensation

The following table outlines perquisites and personal benefits provided to our NEOs in calendar year 2016 , calendar year 2015 , and calendar year 2014 .

Name	Calendar/ Fiscal Year	Cerberus, COAC or Other Service Fees ($)	401(k) Matching Contributions ($) (1)	Professional Fees and Reimburse-ments ($)	Taxable Relocation ($)	Cost of Insurance Policies ($) (2)	Total Other Compensation ($)
Mr. Von Thaer	2016	—	13,000	33,292	—	45,961	92,253
	2015	—	1,846	19,347	—	23,288	44,481
Mr. Kansky (3)	2016	550,000	13,000	9,561	—	43,001	615,562
	2015	1,000,000	7,692	—	—	37,908	1,045,600
	2014	1,000,000	769	33,923	—	39,212	1,073,904
Mr. Krivo	2016 (4)	1,300,000	—	—	—	18,025	1,318,025
	2015	758,803	—	—	—	16,952	775,755
	2014	353,697	8,204	29,792	—	17,476	409,169
Mr. Nixon	2016 (5)	2,000,000	—	—	—	3,590	2,003,590
	2015 (5)	1,750,000	—	—	—	16,952	1,766,952
	2014	548,652	—	—	—	—	548,652
Mr. Schorer (6)	2016	—	12,115	8,598	—	57,829	78,542
	2015	—	10,600	6,234	1,156,427	44,470	1,217,731

(1) The Company provides a match for 401(k) in accordance with statutory limits and Company policy.

(2) Represents the cost of Company-paid term-life insurance policies for our NEOs and our NEOs' share of premiums for business travel accident policies paid on behalf of our NEOs. In 2016 , the total value of medical insurance premiums paid for Mr. Von Thaer, Mr. Kansky and Mr. Schorer was $11,575, $25,121 and $16,336, respectively. The total value of short term disability insurance premiums paid for Mr. Von Thaer, Mr. Kansky and Mr. Schorer was $7,270, $5,686 and $4,797, respectively. The total value of executive life insurance paid for Mr. Von Thaer, Mr. Kansky and Mr. Schorer was $6,223, $6,223 and $5,210, respectively.

(3) Mr. Kansky provides consulting services to Cerberus through an agreement for which the Company is not a party. The Company has included the amount paid by Cerberus to Mr. Kansky as a component of Mr. Kansky's calendar year 2016, calendar year 2015 and calendar year 2014 compensation.

(4) Included in Mr. Krivo's Cerberus, COAC or Other Service Fee compensation is a discretionary service fee payment for calendar year 2016.

(5) Included in Mr. Nixon's Cerberus, COAC or Other Service Fee compensation is a discretionary service fee payment for calendar year 2016 and calendar year 2015.

(6) Mr. Schorer was not an employee of the Company during calendar year 2014.

Grants of Plan-Based Awards in Calendar Year 2016

The following table sets forth information regarding grants of plan-based awards issued to our NEOs for the year ended December 31, 2016 . None of our NEOs were awarded options during calendar year 2016.

Name	Grant Date [1]	Estimated future payouts under non-equity incentive plan awards [2] Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) [3]	Grant Date Fair Value of Stock and Option Awards [3]
Mr. Von Thaer	November 8, 2016	—	800,000	1,600,000	20,000	29,903
Mr. Kansky	—	—	800,000	1,600,000	—	—
Mr. Krivo [4]	—	—	—	—	—	—
Mr. Nixon [4]	—	—	—	—	—	—
Mr. Schorer	—	—	675,000	1,350,000	—	—

(1) Represents the applicable NEO's Grant Date of Class B-3 Interests.

(2) Represents the applicable NEOs' eligibility to earn cash bonuses under our Management Incentive Plan.

(3) Represents the applicable NEO's Class B Interests awarded on the applicable Grant Date. Represents the aggregate grant date fair value of service-based Class B-3 Interests issued to Mr. Von Thaer on November 8, 2016, which was computed in accordance with FASB ASC 718, *Compensation - Stock Compensation* .

(4) As seconded employees, Mr. Krivo and Mr. Nixon do not participate in the MIP.

Employment Agreements

As of December 31, 2016 , we have existing employment agreements with Mr. Von Thaer, Mr. Kansky and Mr. Schorer.

Mr. Von Thaer's employment agreement is for a three year period, after which his agreement renews automatically in one year intervals. Mr. Kansky's employment agreement is for a two year period, after which his agreement renews automatically in one year intervals. Mr. Schorer's compensatory arrangement contains an indefinite term of employment and is not subject to any renewal interval.

The employment agreements establish initial minimum salaries and annual incentive compensation targets for each of the covered NEOs. Additionally, Mr. Von Thaer is provided a supplemental transition bonus which is intended to compensate him for the loss of unvested equity in his prior firm when he joined us as our Chief Executive Officer. See the “Incentive Bonus Compensation” section for the calendar year 2016 base salary and target bonus amounts.

Pursuant to the employment agreements of Messrs. Von Thaer and Kansky agreed that, during the term of the employment agreement and for a period of two years following the termination of the agreement, they will not employ or solicit for employment any current or former employees of our Company.

Furthermore, NEOs may not disclose any confidential information to any person or entity, unless required by law. In addition, under the terms of the employment agreements, we have agreed to indemnify the NEOs against any claims or liabilities relating to our NEOs' services to us, to the extent permitted by applicable law, and to pay for counsel for our NEOs' defense.

The NEOs' employment agreements provide for payments in connection with certain terminations of employment. A description of the payments and benefits each NEO receives upon termination of employment is provided below in “Other Potential Post-Employment Payments.”

Equity Incentive Plan

In connection with the Equity Incentive Plan adopted in December 2013, DynCorp Management has granted 7,246 Class B-1 Interests and 380 Class B-2 Interests to certain members of management and outside directors of Holdings and its subsidiaries, including Delta Tucker Holdings, Inc. as of December 31, 2016 .

On November 8, 2016 , DynCorp Management LLC authorized and issued a grant of 20,000 Class B-3 Interests to Mr. Von Thaer. The Class B-3 Interests shall vest in four equal installments of 25% each on the grant date of the Class B-3 Interests, June 15, 2017 , June 15, 2018 and June 15, 2019 .

The Class B-1 and B-3 Interests are subject to (i) time-based vesting in separate tranches based on the participants’ hire date (each such date a “Vesting Date”); (ii) acceleration of vesting in certain circumstances (such as in the event of a change in control or termination of the executive without cause); and (iii) continued employment of the executive by Holdings or its subsidiaries through the applicable vesting dates.

As of December 31, 2016 , Messrs. Von Thaer and Kansky were the only active NEOs participating in the Equity Incentive Plan. Mr. Krivo also holds some outstanding awards that were vested in prior years. See Outstanding Equity Awards section below and Note 9 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Outstanding Equity Awards at Fiscal Year End

The following table includes information regarding outstanding equity awards held by our named executive officers as of December 31, 2016 :

	Stock Awards (1)	
Name	Number of shares or units of stock that have not vested (#)	Market value of shares or units or stock that have not vested ($) (2)
Mr. Von Thaer (3)	15,000	—
Mr. Kansky	—	—
Mr. Krivo	—	—
Mr. Nixon	—	—
Mr. Schorer	—	—

(1) Represents awards of Class B Interests issued to our named executive officers under the Equity Incentive Plan. These awards are intended to qualify as profits interests under Revenue Procedure 93-27. The awards are subject to vesting, as discussed above, and do not expire. Additional details regarding the awards are presented under the heading of Equity Incentive Plan, above.

(2) The value of the Class B-3 Interests in based on future events and distributions, which cannot be determined as of this time.

(3) Mr. Von Thaer was awarded 20,000 Class B-3 Interests through the Equity Incentive Plan. The Class B-3 Interests shall vest in four equal installments of 25% each on the grant date, and then on June 15, 2017, June 15, 2018 and June 15, 2019, subject to his continued employment with the Company or its subsidiaries on each vesting date.

Option Exercises and Stock Vested in Calendar Year 2016

The following table includes information regarding stock awards which vested during calendar year 2016 . None of our NEOs exercised option awards during calendar year 2016 .

	Stock Awards	
Name	Number of shares acquired upon vesting (#)	Market value of shares realized upon vesting ($)
Mr. Von Thaer	5,000	—
Mr. Kansky	—	—
Mr. Krivo	—	—
Mr. Nixon	—	—
Mr. Schorer	—	—

(1) Represents the market value of the Class B-3 Interests issued to Mr. Von Thaer, which vested as of the grant date. These awards are intended to qualify as profits interests under Revenue Procedure 93-27 and have a zero liquidation value as of the grant date. The value of the Class B-3 Interests is based on future events and distributions, which cannot be determined as of this time.

Pension Benefits and Nonqualified Deferred Compensation

The Company has a non-qualified unfunded and unsecured deferred compensation plan that is offered to certain members of management allowing for the deferral of salary and bonuses without the statutory limitations present in 401(k) savings plan ("Savings Plan"). The elections under the Savings Plan must be completely separate and independent of each other. Under the Savings Plan, the deferral amount limitation is 100% of salary and 100% of bonuses and each participant shall be 100% vested in his or her account, at all times. Following the six-month anniversary of the participant's separation from the Company, single sum payments can be distributed on the first day of the calendar month or annual installment payments can be distributed on the last day of January. The participant can elect payout of the funds in a single sum or annual installments over 5 or 10 years; however, only one election can be made with respect to all of the deferrals in the respective account. If, for any reason, the participant fails to make a valid and timely election, the participant's account shall be distributed as a single sum as of the participant's benefit commencement date. Any change in election resulting in a delay or change in the form of payment shall not take effect until the one-year anniversary of the date the changed election is properly made.

As of the year ended December 31, 2016 , there were no NEO participants in the Saving Plan.

Other Potential Post-Employment Payments

The following section describes the payments and benefits that would be provided to our NEOs in connection with any termination of employment, including resignation, involuntary termination, death, retirement, disability or a change in control to the extent occurring on December 31, 2016 . The assumptions and methodologies that were used to calculate the amounts paid upon a termination of employment are set forth at the end of this section. Definitions are included below in the "Material Terms Defined."

Payments Made Upon Certain Terminations

In the event that Mr. Von Thaer is terminated by the Company without Cause or if he departs the Company for Good Reason, we would provide:

- a payment of his base salary shall be paid in one lump sum after the 60 th day following the date of termination;
- the unpaid portion of any prior year bonus, if any, relating to the calendar year prior to the calendar year of his termination paid at the same time as other executives remaining at the company are paid their prior year bonus;
- an amount equal to payment of the executive bonus at target for the year of his termination shall be paid in one lump sum at the same time as other executives remaining at the company are paid their current year bonus but not later than 60 days following the completion of the company's audit financial statements for the year in which the executive is terminated;
- reimbursement on a monthly basis for the cost of continued medical coverage for the same portion of his COBRA health insurance premium beginning on the 60th day following termination and continuing for a maximum of twelve months following the termination date to the extent Mr. Von Thaer elects continuation of such coverage and is eligible to receive coverage; and
- reimbursement of any other unpaid accrued benefits paid in accordance with customary payroll policy of the company.

In the event that Mr. Kansky is terminated by the Company without Cause or if he departs the Company for Good Reason, we would provide:

- a payment of his base salary for a period of two years following the date of termination. One year of the base salary shall be paid in lump sum within 45 days following the date of termination. The remainder shall be paid in accordance with customary payroll services;
- an amount equal to Mr. Kansky's bonus at target for a period of two years. One year of the bonus shall be paid within forty five days following the date of termination, the second year shall be payable in lump sum on the anniversary date of termination; and
- reimbursement on a monthly basis for the cost of continued medical coverage for the same portion of his COBRA health insurance premium beginning on the 60th day following termination and continuing for a maximum of eighteen months following the termination date to the extent Mr. Kansky elects continuation of such coverage and is eligible to receive coverage.

In the event that Mr. Schorer is terminated by the Company for any reason other than cause he will be entitled to receive severance equal to one year of his base salary at the time of his termination and 100% of his target bonus, consistent with the terms of his employment agreement.

Consistent with Company practice and the terms of each executive's employment agreement, payments are conditioned on the executive's execution of an unconditional and full release and will be made in accordance with the Company's normal payroll policy beginning the first pay period after the release is executed and any revocation period expires without revocation.

Payments Made Upon Death or Complete Disability

Mr. Von Thaer entered into an employment agreement as of June 19, 2015 . The employment agreement of Mr. Von Thaer provides that, if his employment is terminated by reason of death or Disability, he will receive the following payments and benefits:

- accrued employee benefits and bonus payment equal to the amount earned by Mr. Von Thaer based on the Company's performance targets being met in the prior completed fiscal year, payable when such bonus is paid to other executives, if not already paid.

Mr. Kansky entered into an employment agreement as of December 13, 2013. The employment agreement of Mr. Kansky provides that, if his employment is terminated by reason of death or Disability, he will receive the following payments and benefits:

- accrued employee benefits and payment equal to the pro-rated portion of the bonus that would have been payable to Mr. Kansky through the termination date; based on the Company's performance targets being met from the beginning of the fiscal year through the termination date, payable when such bonus is paid to other executives.

Mr. Schorer's employment agreement does not provide any specific benefits if his employment is terminated by reason of death or disability.

Payments Made Upon Involuntary Termination for Cause or Voluntary Termination without Good Cause

The NEOs are not entitled to any payments or benefits (other than accrued but unpaid compensation and benefits) in the event of an involuntary termination for Cause or voluntary termination without Good Reason.

Payment Made Upon a Change in Control

In the event of a change in control (without a qualifying termination as described above), subject to the executive's continued employment, Mr. Von Thaer is eligible to receive all unpaid payments of the supplemental transition bonus payable on July 2017 and July 2018 in the amounts of $750,000 and $1,500,000, respectively. Mr. Von Thaer is entitled to receive a payout for the Class B-3 Interests not previously forfeited or terminated subject to the terms defined in "Equity Incentive Plan" and "Outstanding Equity Awards" sections above. The Class B-3 Interests that Mr. Von Thaer is entitled to receive are subject to vesting upon a Change in Control. Mr. Kansky is entitled to receive $832,000 in lump sum cash as part of the long term incentive plan. Mr. Kansky is entitled to receive a payout for the vested Class B-2 Interests subject to the terms defined in "Equity Incentive Plan" and "Outstanding Equity Awards" sections above.

In the event that Mr. Kansky is terminated by the Company without Cause or if he departs the Company for Good Reason within 90 days prior or within the three years following a change in control, we would provide:

- a prorated portion of the Bonus that would have been payable to Mr. Kansky through the termination date, based on performance through the termination date (when bonuses are otherwise paid to executives) and

- a lump sum payment equal to three times the sum of Base Salary plus Bonus (at Target), payable on the 60th day following termination and

- reimbursement on a monthly basis for the cost of continued medical coverage for the same portion of his COBRA health insurance premium beginning on the 60th day following termination and continuing for a maximum of eighteen months following the termination date to the extent Mr. Kansky elects continuation of such coverage and is eligible to receive coverage.

Mr. Kansky is also eligible to terminate for Good Reason, and receive the severance noted above, in connection with a Change in Control.

The employment agreement for Mr. Kansky denotes any payments or benefits provided to him constitutes "parachute payments," within the meaning of Section 280G of the Code ("Parachute Payments") and would be subject to the excise tax imposed by Section 4999 of the Code. The executive would be entitled to receive either full amounts of the parachute payments or the maximum amount that may be provided to the executive without resulting in any portion of such parachute payments being subject to excise tax, after taking into account federal, state and local taxes, which results in the receipt by Kansky, on an after tax basis, of the greatest portion of the Parachute Payments.

Any reduction of the parachute payments would result in:

- the cash incentive bonus or any other cash payment under any retention bonus agreement;
- cash severance payments related to the executive's base salary and annual bonus;
- any other cash amount payable and any benefit valued as a parachute payment; and
- acceleration of vesting of equity awards.

Any determination of the required payments shall be made in writing by the Company's independent public accountants, whose determination shall be conclusive and binding for all purposes on behalf of the Company and the executive.

Approximation of Other Potential Post-Employment Payments

This section quantifies the potential payments and benefits that would have been paid to Messrs. Von Thaer, Kansky and Schorer upon a termination of their employment occurring on December 31, 2016 . If they were terminated involuntarily without Cause or voluntarily terminated for Good Reason, they would receive cash severance payments equal to $1,600,000 , $3,200,000 and $1,350,000 , respectively.

In the event of death or Complete Disability, Mr. Von Thaer and Mr. Kansky would receive pro-rated bonuses based on performance through the termination date up to $800,000 .

Material Terms Defined

"Cause" in Mr. Von Thaer's agreement means, (i) an indictment for, conviction or plea of guilty or nolo contendere to a felony; (ii) conduct in connection with Executive's employment or otherwise with respect to the Company, its subsidiaries or its Affiliates that is fraudulent, unlawful or grossly negligent; (iii) willful misconduct in the course of executive's employment or otherwise with respect to the Company, its subsidiaries or its Affiliates; (iv) any act of dishonesty resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its Affiliates; (v) any material breach, non-performance, or non-observance of any provision of this Agreement, or any other written agreement between the Executive and the Company; (vi) material insubordination or failure by Executive to follow the lawful instructions or directions from the Board or its designee; or (vii) failure to comply with an applicable material policy of the Company, its subsidiaries or Affiliates; provided, that with respect to clauses (v) - (vii), to the extent the Cause condition is curable, Executive shall have ten (10) to effect a satisfactory cure following written notice of the condition from the Company; provided, further, that with respect of clause (vii), only one written notice will be provided by the Company.

“Cause” in Mr. Kansky’s agreement means, as determined by a majority vote of the Board, (i) willful and continued failure by the Executive to substantially perform his duties with the Company; (ii) willful conduct by the Executive that causes material harm to the Company, its subsidiaries or affiliates, monetarily or otherwise; (iii) the Executive's felony conviction arising out of on or off-duty conduct occurring during his employment; (iv) willful malfeasance or willful misconduct by the Executive in connection with his duties and (v) material breach by the Executive of this Agreement and/or the Company's policies, which breach, if curable, is not cured within ten (10) days after written notice thereof by the Board.

"Good Reason" in Mr. Von Thaer's agreement means the occurrence of any of the following events, unless (1) such event occurs with the Executive’s express prior written consent, (2) the event is an isolated, immaterial or inadvertent action or failure to act which was not in bad faith and that is remedied by the Company, or (3) the event occurs in connection with termination of the Executive’s employment for Cause or Disability: (i) a material breach by the Company of any material provision of this Agreement; (ii) a reduction in Executive’s Base Salary or Target Bonus (not including any diminution related to a broader compensation reduction that is not limited to the Executive specifically and that is not more than 10% in the aggregate); (iii) the relocation of the office at which the Executive primarily renders Executive’s services hereunder to a location that is more than 50 miles from its then current location to the extent such relocation materially increases the Executive’s commute, (iv) an adverse change to the Executive’s Position; or (v) the assignment to the Executive by the Company of any duties that are materially inconsistent with the Executive’s Position; provided, however, that Good Reason shall not exist hereunder unless the Executive provides written notice to the Company of the existence of the event or occurrence giving rise to the alleged Good Reason condition within thirty (30) calendar days of its initial existence, and the Company is provided a period of at least thirty (30) calendar days from the receipt of written notice during which it may remedy the Good Reason condition.

"Good Reason" in Mr. Kansky's agreement means (i) a reduction in Executive's then current Base Salary or Bonus at Target, (ii) the Company's failure to comply with its material obligations under this Agreement, (iii) a relocation of Executive's principal place of employment to a location more than thirty-five (35) miles from Falls Church, Virginia without his consent or an adverse change in Executive's title, (iv) a substantial diminution of Executive's duties, authority or responsibilities with the Company; provided that neither the merger, sale or acquisition of business units, subsidiaries or assets, nor any similar corporate transaction, shall, by itself, constitute a diminution of duties, authority or responsibilities for purposes hereof, (v) a change in Executive's reporting relationship following which the Executive does not report to the Chairman of the Board or Chief Executive Officer or (vi) a Change in Control. Each of the foregoing events will cease to constitute Good Reason unless Executive gives the Company notice of Executive's intention to resign his position with the Company within sixty (60) days after Executive's knowledge of the occurrence of such event, and the Company shall have thirty (30) days from its receipt of such notice to cure any condition that constitutes Good Reason.

“Disability” is defined in the employment agreements as the determination by the Company, its subsidiaries or affiliates that, as a result of a permanent physical or mental injury or illness, the executive has been unable to perform the essential functions of his job with or without reasonable accommodation for (a) 90 consecutive days or (b) a period of 180 days in any 12-month period.

Material Conditions to Receipt of Post-Employment Payments

The receipt of payments and benefits (other than accrued but unpaid compensation and vacation) to the executives upon a termination of employment is conditioned on the executive furnishing to the operating company an executed copy of a waiver and release of claims.

Methodologies and Assumptions Used for Calculating Other Potential Post-Employment Payments

For purposes of calculating post-employment payments, we assume all change-of-control awards (payments under our equity plan and under our LTIP awards) are paid independent of the hypothetical termination of employment on December 31, 2016 . The value of accelerated vesting under our equity plan upon termination of employment by the Company without cause or by the individual for good reason, prior to a change of control, is based upon the value tendered by the Company to repurchase the rights subsequent to their separation from the Company. There is no obligation for the Company to repurchase equity in the future.

DIRECTOR COMPENSATION

General

The Company has historically used a combination of cash and equity-based compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Board considers the significant amount of time that directors expend in fulfilling their duties as well as the skill-level required. The following information relates to the compensation of the directors for calendar year 2016 .

In connection with the Equity Incentive Plan adopted in December 2013, by DynCorp Management LLC, certain of the Company's Directors were granted Class B-1 interests through the equity incentive plan during prior years. Mr. Geisler's shares vested 20% on the grant date with an additional 20% vesting on July 15, 2014, July 15, 2015 and July 15, 2016 while the remainder of the interests will vest on July 15, 2017. General Tilelli's and General Hagee's shares vested 40% as of their grant date with an additional 20% vesting on July 15, 2014 and the remainder of the interests vesting on July 15, 2015. No additional Class B-1 interests were granted to the directors during 2016. See Note 9 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Board Retainer and Fees

Messrs. Geisler, Hagee, Tilelli and Fennebresque received an annual retainer of $75,000 , payable quarterly in arrears, as Directors of the Company. Messrs. Galbato, Ingersoll and Sanford are not paid by the Company for their services as a director due to their affiliation with Cerberus. Mr. Von Thaer did not receive payment as a Director of the Company during calendar year 2016. Mr. Van Arsdale was appointed to the Board of Directors in January 2017 and did not receive payment as a Director of the Company during calendar year 2016. Mr. Van Arsdale will receive an annual retainer of $75,000 , payable quarterly in arrears, as a Director of the Company, during calendar year 2017.

Committee Fees

The Chairman of the Audit Committee received an annual fee of $15,000 , payable quarterly in arrears. Mr. Geisler and each committee member who is not an affiliate of Cerberus received an annual fee of $10,000 , payable quarterly in arrears.

The Chairman of the Business Ethics and Compliance Committee received an annual fee of $15,000 , payable quarterly in arrears. Mr. Geisler and each committee member who is not an affiliate of Cerberus received an annual fee of $10,000 , payable quarterly in arrears.

Each of the two Cerberus nonaffiliated members of our Compensation Committee and Mr. Geisler received an annual fee of $10,000 , payable quarterly in arrears.

In January 2017, Mr. Van Arsdale was appointed as a nonaffiliated member of the Audit Committee, Business Ethics and Compliance Committee and the Compensation Committee. Mr. Van Arsdale did not receive payment as a member of the committees during calendar year 2016, but will receive an annual fee of $10,000 , payable quarterly in arrears, in calendar year 2017 for each committee he serves.

Director Compensation in Calendar Year 2016

The following table sets forth certain information with respect to the compensation we paid to our directors during calendar year 2016 .

DIRECTOR COMPENSATION TABLE

Name (a) [1]	Fees Earned or Paid in Cash ($) (b)	Stock (Equity) Awards ($) [1] (c)	All Other Compensation ($) (d)	Total ($) (e)
James Geisler	105,000	—	—	105,000
Chan Galbato [2]	—	—	—	—
General Michael Hagee (USMC Ret.)	110,000	—	—	110,000
Brett Ingersoll [2]	—	—	—	—
General John Tilelli (USA Ret.)	110,000	—	—	110,000
Michael Sanford [2]	—	—	—	—
Kim Fennebresque	85,000	—	—	85,000
Lee Van Arsdale [3]	—	—	—	—
Lewis Von Thaer [4]	—	—	—	—

(1) No new stock awards were issued to any of our Directors in 2016 .

(2) Mr. Galbato is Chief Executive Officer of Cerberus Operations and Advisory Company, LLC ("COAC"), and Mr. Ingersoll and Mr. Sanford are principals of Cerberus Capital Management, L.P. ("Cerberus") which owns 100% of the Company. As Cerberus executives, Mr. Galbato, Mr. Ingersoll and Mr. Sanford are not paid by the Company for their services as directors or members of the committees.

(3) Mr. Van Arsdale was appointed to the Board of Directors in January 2017 and did not receive payment as a Director of the Company during calendar year 2016.

(4) Mr. Von Thaer, as Chief Executive Officer, is not paid by the Company for his service as a director.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

All of DynCorp International Inc.'s issued and outstanding common stock is owned by the Company, and all of the Company's issued and outstanding common stock is owned by our parent, Holdings. The following table sets forth information regarding the beneficial ownership of Holdings' common stock as of March 7, 2017 by (i) each person known to beneficially own more than 5% of the common stock of Holdings, (ii) each of our named executive officers, (iii) each member of our Board of Directors and (iv) all of our executive officers and members of our Board of Directors as a group. At March 7, 2017 , there were approximately 100 shares of common stock of Holdings outstanding.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

The persons named in the table below have sole voting and investment power with respect to all shares of common stock.

Name and Address of Beneficial Owner	Class A Common Stock	Percent of Class
5% Beneficial Owners:		
Cerberus Capital Management, L.P. [(1)]	100	100%
Directors and Named Executive Officers:		
James E. Geisler	—	—
Chan Galbato	—	—
General Michael Hagee (USMC Ret.)	—	—
Brett Ingersoll	—	—
General John Tilelli (USA Ret.)	—	—
Michael Sanford	—	—
Kim Fennebresque	—	—
Lee Van Arsdale		
Lewis Von Thaer	—	—
William T. Kansky	—	—
Gregory S. Nixon	—	—
George C. Krivo	—	—
Steven T. Schorer	—	—
All Directors and Executive Officers as a Group (13 persons)	—	—

(1) Funds and/or managed accounts that are affiliates of Cerberus own 100% of the common stock of the Company. Cerberus owns 90% of the stock of Holdings directly and owns the other 10% of Holdings stock indirectly through DynCorp Management LLC, which Cerberus controls through its ownership of all of its class A common interests. Stephen Feinberg as founder of Cerberus holds authority over voting and investment activities of such securities owned by affiliates of Cerberus. The address for Cerberus Capital Management, L.P. is 299 Park Avenue, New York, NY 10171.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

Since December 31, 2015 , we have entered into certain transactions, summarized below, that exceeded $120,000 in amount and in which our related persons in general, our directors, executive officers and their immediate family members - had or would have a direct or indirect material interest.

Under the COAC Agreement between the Company and Cerberus, established at the time the Company was acquired by affiliates of Cerberus, we pay Cerberus consulting fees to provide us with reasonably requested business advisory services. We have four directors who are Cerberus employees: Messrs. Geisler, Galbato, Ingersoll and Sanford. During the year, we had two executives who are Cerberus employees, who are seconded to us: Gregory S. Nixon, our Senior Vice President, Chief Administrative Officer, Chief Legal Officer and Corporate Secretary, and George C. Krivo, our Senior Vice President and Chief Operating Officer. The Company paid a total of $5.8 million , $8.1 million and $4.9 million , in consulting fees under the COAC Agreement for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 , respectively and that are described in more detail under "Executive Compensation." For additional information on the COAC Agreement, see Note 12 to the Delta Tucker Holdings, Inc. consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Certain members of executive management and board members of the Company and seconded COAC individuals have agreements and conduct business with Cerberus and its affiliates for which they receive compensation. We recognize such compensation as an expense in the consolidated financial statements.

Our Controls for Approving Transactions with Related Persons

Any material transaction involving our directors, nominees for director, executive officers and their immediate family members (“related persons”) and the Company or an affiliate of the Company is reviewed and approved by the Chief Executive Officer, following consultation with the Compliance and Risk Committee, who determines whether the transaction is in the best interest of the Company.

Director Independence

Pursuant to our corporate governance guidelines, the rules of the NYSE provide that a director must have no material relationship, directly or as a partner, shareholder or officer of an organization that has a relationship with us, in order to be an "independent director." The rules of the NYSE further require that all companies listing common equity securities must have a majority of independent directors and the members of the audit committee, compensation committee, and nominating/corporate governance committee must be independent, with certain exceptions. "Controlled Companies" is one of the exceptions in which more than 50% of the voting power of the company is held by another company. Cerberus owns more than 50% of the Company; as such, we are a "controlled company" under the NYSE rules. Therefore, under the NYSE rules, we are not subject to the requirements that a majority of the Board be composed of independent directors or that all the members of the Audit Committee, Compliance and Risk Committee and the Compensation Committee be independent. However, in accordance with our Corporate Governance Guidelines, Members of the Audit Committee who are determined by the Board to be independent, if any, within the meaning of our Corporate Governance Guidelines must satisfy the requirements of the NYSE.

The rules of the NYSE provide that a director serving on the audit committee must not have any material relationship, directly or as a partner, shareholder or officer of an organization that has a relationship with us in order to be an "independent director." Based on written submissions by the directors, the Board has determined that the following directors do not have any material relationship with us other than their roles as directors and therefore are "independent" under the NYSE rules. Below is the listing of the independent Directors.

Independent Directors:

General John Tilelli (USA Ret.)

General Michael Hagee (USMC Ret.)

Kim Fennebresque

Lee Van Arsdale

ITEM 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES.***

The following table presents the fees billed by Deloitte & Touche LLP, our independent auditors, for calendar year 2016 and calendar year 2015 for audit, audit-related, tax and other services.

Deloitte & Touche LLP	**Calendar Year 2016**	**Calendar Year 2015**
Audit Fees (1)	$ 2,357,831	$ 2,087,500
Audit-Related Fees (2)	28,747	19,928
Tax Fees (3)	64,733	35,649
All Other Fees (4)	7,352	2,600

(1) Audit fees principally include fees for services related to the annual audit of the consolidated financial statements, reviews of our interim quarterly financial statements and other filings.
(2) Audit-related fees principally include those for statutory audits.
(3) Tax fees include domestic tax advisory services related to state and local taxes and international tax advisory services principally related to international tax return preparation and employment tax matters.
(4) All other fees consists of subscription fees billed for the Deloitte Accounting Research Tool in calendar year 2016 and 2015.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES.*

(1) *Financial Statements* : The following consolidated financial statements and schedules of the Company are included in this report:

Delta Tucker Holdings, Inc.

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations f or the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .
- Consolidated Statements of Comprehensive Loss f or the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .
- Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015 .
- Consolidated Statements of Cash Flows for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .
- Consolidated Statements of Equity (Deficit) for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .
- Notes to the Consolidated Financial Statements of Delta Tucker Holdings, Inc.

(2) *Financial Statement Schedules* :

- Schedule I - Condensed Financial Information of Registrant.
- Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2016 , December 31, 2015 and December 31, 2014 .

(3) *Exhibits* : The exhibits, which are filed with this Annual Report on Form 10-K or which are incorporated herein are set forth in the Exhibit Index.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of April 11, 2010, by and among DynCorp International Inc., Delta Tucker Holdings, Inc. and Delta Tucker Sub, Inc. (incorporated by reference to Exhibit No. 2.1 to DynCorp International Inc.'s Current Report on Form 8-K filed with the SEC on April 12, 2010).
3.1	Certificate of Incorporation of Delta Tucker Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
3.2	By-laws of Delta Tucker Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
3.3	Certificate of Incorporation of DynCorp International, Inc. (incorporated by reference to Exhibit 3.1 to DynCorp International Inc.'s Current Report on Form 8-K filed with the SEC on July 8, 2010).
3.4	By-laws of DynCorp International, Inc., as amended on November 5, 2013 (incorporated by reference to Exhibit 3.26 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
3.5	Articles of Incorporation of Casals & Associates, Inc. (incorporated by reference to Exhibit 3.5 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2010).
3.6	By-laws of Casals & Associates, Inc. (incorporated by reference to Exhibit 3.6 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
3.7	Certificate of Incorporation of DIV Capital Corporation (incorporated by reference to Exhibit 3.3 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.8	Bylaws of DIV Capital Corporation (incorporated by reference to Exhibit 3.4 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.9	Certificate of Formation of DTS Aviation Services LLC (incorporated by reference to Exhibit 3.11 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.10	Limited Liability Company Operating Agreement of DTS Aviation Services LLC (incorporated by reference to Exhibit 3.12 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).

3.11	Certificate of Formation of DynCorp International LLC (incorporated by reference to Exhibit 3.11 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.12	Amended and Restated Operating Agreement of DynCorp International LLC (incorporated by reference to Exhibit 3.2 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.13	Articles of Organization of Dyn Marine Services of Virginia LLC (incorporated by reference to Exhibit 3.21 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.14	Limited Liability Company Agreement of Dyn Marine Services of Virginia LLC (incorporated by reference to Exhibit 3.22 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.15	Certificate of Formation of DynCorp Aerospace Operations LLC (incorporated by reference to Exhibit 3.13 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.16	Limited Liability Company Agreement of DynCorp Aerospace Operations LLC (incorporated by reference to Exhibit 3.14 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.17	Articles of Organization of DynCorp International Services LLC (incorporated by reference to Exhibit 3.17 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
3.18	Limited Liability Company Agreement of DynCorp International Services LLC (incorporated by reference to Exhibit 3.18 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
3.19	Articles of Organization of Heliworks LLC (incorporated by reference to Exhibit 3.19 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.20	Operating Agreement of Heliworks LLC (incorporated by reference to Exhibit 3.20 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.21	Articles of Organization of Phoenix Consulting Group, LLC (incorporated by reference to Exhibit 3.21 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.22	Limited Liability Company Agreement of Phoenix Consulting Group, LLC (incorporated by reference to Exhibit 3.22 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.23	Certificate of Formation of Services International LLC (incorporated by reference to Exhibit 3.23 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.24	Limited Liability Company Agreement of Services International LLC (incorporated by reference to Exhibit 3.24 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.25	Certificate of Formation of Worldwide Management and Consulting Services LLC, f/k/a Worldwide Humanitarian Services LLC (incorporated by reference to Exhibit 3.25 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
3.26	Amended and Restated Limited Liability Company Agreement of Worldwide Humanitarian Services LLC (incorporated by reference to Exhibit 3.26 to DynCorp International LLC's Amendment No. 1 to Registration Statement on Form S-4/A (Reg. No. 333-127343) filed with the SEC on September 27, 2005).
3.27	Certificate of Formation of Worldwide Recruiting and Staffing Services LLC (incorporated by reference to Exhibit 3.28 to DynCorp International LLC's Annual Report on Form 10-K filed with the SEC on June 20, 2007).
3.28	Second Amended and Restated Limited Liability Company Agreement of Worldwide Recruiting and Staffing Services LLC (incorporated by reference to Exhibit 3.29 to DynCorp International LLC's Annual Report on Form 10-K filed with the SEC on June 20, 2007).
4.1	Indenture dated as of July 7, 2010, among DynCorp International Inc., the guarantors named therein and Wilmington Trust FSB, as trustee, relating to DynCorp International Inc.'s 10.375% Senior Notes due 2017 (incorporated by reference to Exhibit 4.1 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
4.2	Form of DynCorp International Inc.'s 10.375% Senior Notes due 2017 (included in the Indenture filed as Exhibit 4.1).
4.3	Supplemental Indenture No. 1 dated as of August 17, 2012, to the Senior Unsecured Notes Indenture, among Heliworks LLC, DynCorp International Inc. and Wilmington Trust, National Association, as successor by merger to Wilmington Trust FSB (incorporated by reference to Exhibit 4.3 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
4.4	Supplemental Indenture No. 2, dated as of May 23, 2016, to the Senior Unsecured Notes Indenture, among DynCorp International Inc. and Wilmington Trust, National Association, as successor by merger to Wilmington Trust FSB (incorporated by reference to Exhibit 4.1 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2016).

4.5	Indenture, dated as of June 15, 2016, among DynCorp International, the Guarantors party thereto and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2016).
4.6	Form of DynCorp International Inc.'s 11.875% Senior Secured Second Lien Notes due 2020 (included in the Indenture filed as Exhibit 4.5).
4.7	Supplemental Indenture No. 1, dated as of August 26, 2016, to the New Notes Indenture, among DynCorp International, Highground Global, Inc., Culpeper National Security Solutions LLC and Wilmington Trust, National Association, as trustee, to the Indenture (incorporated by reference to Exhibit 4.1 to Delta Tucker Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2017).
4.8	Intercreditor Agreement, dated as of June 15, 2016, among the administrative agent and the collateral agent under the Credit Agreement, the Collateral Agent under the Indenture, and the collateral agent under the Third Lien Credit Agreement (incorporated by reference to Exhibit 4.2 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2016).
10.1	Credit Agreement, dated as of July 7, 2010, among DynCorp International Inc., as borrower, the guarantors party thereto, Bank of America, N.A., as administrative and collateral agent, and the lenders and other agents party thereto (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.2	Security Agreement, dated as of July 7, 2010, among DynCorp International Inc., the other grantors party thereto, and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.2 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.3	Registration Rights Agreement, dated as of July 7, 2010, among DynCorp International Inc., the guarantors party thereto and the initial purchasers party thereto (incorporated by reference to Exhibit 10.3 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.4	Master Consulting and Advisory Services Agreement, dated as of July 7, 2010, between Cerberus Operations and Advisory Company, LLC and DynCorp International Inc. (incorporated by reference to Exhibit 10.4 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.5	Employment Agreement, effective as of December 22, 2010, between DynCorp International Inc. and Steven F. Gaffney (incorporated by reference to Exhibit 10.5 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.6	Employment Agreement, effective as of August 1, 2010, between DynCorp International Inc. and William T. Kansky (incorporated by reference to Exhibit 10.6 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.7	Logistics Civil Augmentation Program contract (incorporated by reference to Exhibit 10.18 to Delta Tucker Holdings, Inc.'s Registration Statement on Form S-4 (Reg. No. 333-173746) filed with the SEC on April 27, 2011).
10.8	Amendment and Waiver, dated as of January 21, 2011, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International Inc., Delta Tucker Holdings, Inc., The subsidiary guarantors party thereto, The lenders from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 to Delta Tucker Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 15, 2011).
10.9	Amendment No. 2, dated as of August 10, 2011, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International Inc., Delta Tucker Holdings, Inc., the subsidiary guarantors party thereto, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the SEC on August 12, 2011.)
10.10	Amendment No. 3, dated as of June 19, 2013, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International, Holdings, the other Guarantors party thereto, the several banks and other financial institutions or entities from time to time parties thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.14 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2015).
10.11	Employment Agreement, effective as of December 13, 2013, between DynCorp International LLC. and William T. Kansky (incorporated by reference to Exhibit 10.15 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.12	Executed Employment Agreement, effective as of November 7, 2013, between DynCorp International LLC and Christopher Bernhardt (incorporated by reference to Exhibit 10.16 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.13	Employment Agreement, effective as of March 5, 2014, between DynCorp International LLC. and George Krivo (incorporated by reference to Exhibit 10.18 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.14	Award Agreement, dated as of December 28, 2013, by and between DynCorp Management LLC and William T. Kansky (incorporated by reference to Exhibit 10.19 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.15	Award Agreement, dated as of December 26, 2013, by and between DynCorp Management LLC and Christopher Bernhardt (incorporated by reference to Exhibit 10.20 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.16	Award Agreement, dated as of December 20, 2013, by and between DynCorp Management LLC and James E. Geisler (incorporated by reference to Exhibit 10.22 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).

10.17	Award Agreement, dated as of January 7, 2014, by and between DynCorp Management LLC and Steven F. Gaffney (incorporated by reference to Exhibit 10.23 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.18	Award Agreement, dated as of January 1, 2014, by and between DynCorp Management LLC and John Tilelli (incorporated by reference to Exhibit 10.24 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.19	Award Agreement, dated as of December 26, 2013, by and between DynCorp Management LLC and Michael Hagee (incorporated by reference to Exhibit 10.25 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.20	Long Term Cash Incentive Bonus Agreement, dated as of December 17, 2013, by and between DynCorp International LLC and James E. Geisler (incorporated by reference to Exhibit 10.26 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.21	Long Term Cash Incentive Bonus Agreement, dated as of December 17, 2013, by and between DynCorp International LLC and Michael Hagee (incorporated by reference to Exhibit 10.27 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.22	Long Term Cash Incentive Bonus Agreement, dated as of December 17, 2013, by and between DynCorp International LLC and John Tilelli (incorporated by reference to Exhibit 10.28 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014).
10.23	Award Agreement, dated as of April 1, 2014, by and between DynCorp Management LLC and George C. Krivo (incorporated by reference to Exhibit 10.29 to Delta Tucker Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014).
10.24	Employment Agreement, effective as of July 2, 2014, by and between DynCorp International LLC and S. Gordon Walsh (incorporated by reference to Exhibit 10.30 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2014).
10.25	Amendment No. 4 and Waiver, dated as of November 5, 2014, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International, Holdings, the other Guarantors party thereto, the several banks and other financial institutions or entities from time to time parties thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2014).
10.26	Secondment Agreement, effective August 8, 2014, by and among Cerberus Operations and Advisory Company, LLC, DynCorp International LLC, and James E. Geisler (incorporated by reference to Exhibit 10.30 to Delta Tucker Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2015).
10.27	Employment Agreement, effective as of June 15, 2015, by and between DynCorp International LLC and Lewis Von Thaer (incorporated by reference to Exhibit 10.31 to Delta Tucker Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2015).
10.28	Employment Agreement, effective as of May 1, 2015, between DynCorp International LLC and Steven Schorer (incorporated by reference to Exhibit 10.28 to Delta Tucker Holdings, Inc.’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016).
10.29	Amendment No. 5 and Waiver, dated as of April 30, 2016, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International Inc., Delta Tucker Holdings, Inc., the other Guarantors party thereto, the several banks and other financial institutions or entities from time to time parties thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2016).
10.30	Third Lien Credit Agreement, dated as of June 15, 2016, among DynCorp International, Holdings, the Guarantors party thereto and DynCorp Funding LLC (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2016).
10.31	Amendment No. 6, dated as of August 22, 2016, to the Credit Agreement, dated as of July 7, 2010, among DynCorp International, Holdings, the Subsidiary Guarantors party thereto, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to Delta Tucker Holdings, Inc.’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2016).
21.1*	List of subsidiaries of Delta Tucker Holdings, Inc.
31.1*	Certification of the Chief Executive Officer of Delta Tucker Holdings, Inc. pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer of Delta Tucker Holdings, Inc. pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS XBRL	Instance document
101.SCH XBRL	Taxonomy Extension Schema
101.CAL XBRL	Taxonomy Extension Calculation Linkbase
101.DEF XBRL	Taxonomy Extension Definition Linkbase
101.LAB XBRL	Taxonomy Extension Labels Linkbase

101.PRE XBRL	Taxonomy Extension Presentation Linkbase

*	Filed herewith.

SIGNATURES

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

DELTA TUCKER HOLDINGS, INC.

/s/ Lewis Von Thaer
Lewis Von Thaer
Chief Executive Officer

Date: March 29, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lewis Von Thaer Lewis Von Thaer	Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2017
/s/ William T. Kansky William T. Kansky	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 29, 2017
/s/ James E. Geisler James E. Geisler	Non-executive Chairman of the Board of Directors	March 29, 2017
/s/ Chan Galbato Chan Galbato	Director	March 29, 2017
/s/ General Michael Hagee General Michael Hagee (USMC Ret.)	Director	March 29, 2017
/s/ Brett Ingersoll Brett Ingersoll	Director	March 29, 2017
/s/ General John Tilelli General John Tilelli (USA Ret.)	Director	March 29, 2017
/s/ Michael Sanford Michael Sanford	Director	March 29, 2017
/s/ Kim Fennebresque Kim Fennebresque	Director	March 29, 2017
/s/ Lee Van Arsdale Lee Van Arsdale	Director	March 29, 2017

Exhibit 21.1

Subsidiary Name	**State of Incorporation or Organization**
Casals & Associates, Inc.	Virginia
DIV Capital Corporation	Delaware
DTS Aviation Services LLC	Nevada
DynCorp International LLC	Delaware
Dyn Marine Services of Virginia LLC	Virginia
DynCorp Aerospace Operations LLC	Delaware
DynCorp International Services LLC	Virginia
Phoenix Consulting Group, LLC	Alabama
Services International LLC	Delaware
Worldwide Humanitarian Services LLC	Delaware
Worldwide Recruiting and Staffing Services LLC	Delaware
DynCorp International Inc.	Delaware
Heliworks LLC	Florida
Global Aviation Consultancy Services LLC	Delaware
DynCorp International (UK) Ltd. (formerly DCH Ltd.)	United Kingdom
DynCorp (Aust.) Pty. Limited	Australia
DynCorp Aerospace Operations (U.K.) Ltd.	United Kingdom
DynCorp International Services GmbH	Germany
DI Aerospace Integrated Solutions Ltda	Columbia
DI Air Columbia SAS	Columbia
AVICOM do Brasil Manutencao de Aeronaves Ltda	Brazil
Airport & MRO Facilities Nigeria Limited	Nigeria
Culpepper National Security Solutions LLC	Delaware
Highground Global, Inc.	Delaware

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
Fair Presentation of the Delta Tucker Holdings, Inc. Financial Statements
Establishment and Maintaining Disclosure Controls and Procedures

I, Lewis Von Thaer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Delta Tucker Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Lewis Von Thaer

Lewis Von Thaer
Chief Executive Officer
(Principal Executive Officer)

Date: March 29, 2017

Exhibit 31.2

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
Fair Presentation of the Delta Tucker Holdings, Inc. Financial Statements
Establishment and Maintaining Disclosure Controls and Procedures

I, William T. Kansky, certify that:

1. I have reviewed this Annual Report on Form 10-K of Delta Tucker Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ William T. Kansky

William T. Kansky
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 29, 2017

Exhibit 32.1

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

I, Lewis Von Thaer, Chief Executive Officer of Delta Tucker Holdings, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report of the Company on Form 10-K for the period ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lewis Von Thaer

Lewis Von Thaer
Chief Executive Officer

Date: March 29, 2017

Exhibit 32.2

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

I, William T. Kansky, Senior Vice President and Chief Financial Officer of Delta Tucker Holdings, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report of the Company on Form 10-K for the period ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William T. Kansky

William T. Kansky
Senior Vice President and Chief Financial Officer

Date: March 29, 2017