DELTA TUCKER HOLDINGS, INC.

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 November 14, 2016 , the registrant had 100 shares of its Class A common stock outstanding.

Delta Tucker Holdings, Inc.
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Disclosure Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q 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") by 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 Obama 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"), Contract Field Teams ("CFT") and Logistics Civil Augmentation Program ("LOGCAP IV") contracts;
- the outcome of future extensions on awarded contracts, the outcomes of recompetes on existing programs, including but not limited to the War Reserve Materiel program and 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" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission ("SEC") on March 30, 2016 and in this Quarterly Report on Form 10-Q and other risks detailed from time to time in our reports filed with 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.

Calendar Year

We report the results of our operations using a basis where each 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. Included in this Quarterly Report are our unaudited condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2016 and September 25, 2015 , the related statements of deficit and cash flows for the nine months ended September 30, 2016 and September 25, 2015 and the unaudited condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015 .

PART I. *FINANCIAL INFORMATION.*

ITEM 1. *FINANCIAL STATEMENTS.*

Delta Tucker Holdings, Inc.
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
(Amounts in thousands)	**September 30, 2016**	**September 25, 2015**	**September 30, 2016**	**September 25, 2015**
Revenue	$ 503,434	$ 479,808	$ 1,374,392	$ 1,437,000
Cost of services	(445,090)	(427,529)	(1,227,948)	(1,290,880)
Selling, general and administrative expenses	(38,357)	(35,237)	(109,405)	(107,920)
Depreciation and amortization expense	(8,875)	(9,039)	(26,078)	(25,587)
Earnings from equity method investees	60	6	761	131
Impairment of goodwill, intangibles and long lived assets	(1,782)	(6,690)	(1,782)	(93,485)
Operating income (loss)	9,390	1,319	9,940	(80,741)
Interest expense	(20,230)	(17,201)	(53,657)	(50,429)
Loss on early extinguishment of debt	—	—	(328)	—
Interest income	117	19	199	61
Other income, net	216	73	5,179	1,675
Loss before income taxes	(10,507)	(15,790)	(38,667)	(129,434)
Benefit (provision) for income taxes	3,543	540	(7,681)	10,025
Net loss	(6,964)	(15,250)	(46,348)	(119,409)
Noncontrolling interests	(307)	(499)	(803)	(1,227)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (7,271)	$ (15,749)	$ (47,151)	$ (120,636)

See notes to unaudited condensed consolidated financial statements

Delta Tucker Holdings, Inc.
Unaudited Condensed Consolidated Statements of Comprehensive Loss

	Three Months Ended		Nine Months Ended	
(Amounts in thousands)	September 30, 2016	September 25, 2015	September 30, 2016	September 25, 2015
Net loss	$ (6,964)	$ (15,250)	$ (46,348)	$ (119,409)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(216)	—	(215)	(101)
Other comprehensive loss, before tax	(216)	—	(215)	(101)
Income tax benefit related to items of other comprehensive loss	78	—	77	36
Other comprehensive loss	(138)	—	(138)	(65)
Comprehensive loss	(7,102)	(15,250)	(46,486)	(119,474)
Comprehensive loss attributable to noncontrolling interests	(307)	(499)	(803)	(1,227)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (7,409)	$ (15,749)	$ (47,289)	$ (120,701)

See notes to unaudited condensed consolidated financial statements

Delta Tucker Holdings, Inc.
Unaudited Condensed Consolidated Balance Sheets

(Amounts in thousands, except share data)	As Of September 30, 2016	As Of December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 98,939	$ 108,782
Restricted cash	13,464	721
Accounts receivable, net of allowances of $18,021 and $16,283 respectively	325,315	386,097
Prepaid expenses and other current assets	54,234	55,683
Assets held for sale	—	7,913
Total current assets	491,952	559,196
Property and equipment, net	15,839	15,694
Goodwill	42,093	42,093
Tradenames, net	28,536	28,536
Other intangibles, net	91,820	113,479
Long-term deferred taxes	—	13,364
Other assets, net	14,904	12,327
Total assets	$ 685,144	$ 784,689
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 60,116	$ 184,866
Accounts payable	87,218	90,610
Accrued payroll and employee costs	84,333	100,681
Deferred income taxes	—	27,334
Accrued liabilities	103,709	114,718
Liabilities held for sale	—	784
Income taxes payable	8,111	8,130
Total current liabilities	343,487	527,123
Long-term debt	570,567	452,165
Long-term deferred taxes	14,103	—
Other long-term liabilities	12,195	13,571
Total liabilities	940,352	992,859
DEFICIT		
Common stock, $0.01 par value – 1,000 shares authorized and 100 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	554,928	554,379
Accumulated deficit	(815,132)	(767,981)
Accumulated other comprehensive loss	(498)	(360)
Total deficit attributable to Delta Tucker Holdings, Inc.	(260,702)	(213,962)
Noncontrolling interests	5,494	5,792
Total deficit	(255,208)	(208,170)
Total liabilities and deficit	$ 685,144	$ 784,689

See notes to unaudited condensed consolidated financial statements

Delta Tucker Holdings, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
(Amounts in thousands)	September 30, 2016	September 25, 2015
Cash flows from operating activities		
Net loss	$ (46,348)	$ (119,409)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,799	27,626
Loss on early extinguishment of debt	328	—
Amortization of deferred loan costs and original issue discount	4,570	4,798
Impairment of goodwill, intangibles and long-lived assets	1,782	93,485
Earnings from equity method investees	(783)	(1,328)
Deferred income taxes	132	(10,446)
Other	2,944	644
Changes in assets and liabilities:		
Accounts receivable	60,005	23,416
Prepaid expenses and other current assets	5,422	16,690
Accounts payable and accrued liabilities	(30,139)	(58,358)
Income taxes payable	(35)	(2,636)
Net cash provided by (used in) operating activities	24,677	(25,518)
Cash flows from investing activities		
Purchase of property and equipment	(2,762)	(2,680)
Proceeds from sale of property, plant and equipment	832	478
Purchase of software	(1,775)	(998)
Restriction on cash related to Cerberus 3L Notes	(12,744)	—
Return of capital from equity method investees	1,557	3,683
Contributions to equity method investees	(4,956)	(1,427)
Net cash used in investing activities	(19,848)	(944)
Cash flows from financing activities		
Borrowings on revolving credit facilities	18,000	139,600
Payments on revolving credit facilities	(18,000)	(139,600)
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)	—
Payment of deferred financing costs	(4,998)	—
Payments under other financing arrangements	—	(2,055)
Equity contribution from affiliates of Cerberus	450	750
Payment of dividends to noncontrolling interests	(734)	(688)
Net cash used in financing activities	(14,672)	(1,993)
Net decrease in cash and cash equivalents	(9,843)	(28,455)
Cash and cash equivalents, beginning of period	108,782	94,004
Cash and cash equivalents, end of period	$ 98,939	$ 65,549
Income taxes paid, net of receipts	$ 7,447	$ 8,108
Interest paid	$ 56,319	$ 57,882

See notes to unaudited condensed consolidated financial statements

Delta Tucker Holdings, Inc.
Unaudited Condensed Consolidated Statements of Deficit

(Amounts in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Delta Tucker Holdings, Inc.	Noncontrolling Interest	Total Deficit
Balance at December 31, 2014	**—**	**$ —**	**$ 552,894**	**$ (635,379)**	**$ (281)**	**$ (82,766)**	**$ 5,489**	**$ (77,277)**
Share based compensation, net	—	—	364	—	—	364	—	364
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	—	—	—	(120,636)	(65)	(120,701)	1,227	(119,474)
Capital contribution	—	—	750	—	—	750	—	750
DIFZ financing, net of tax	—	—	47	—	—	47	—	47
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(1,032)	(1,032)
Balance at September 25, 2015	**—**	**$ —**	**$ 554,055**	**$ (756,015)**	**$ (346)**	**$ (202,306)**	**$ 5,684**	**$ (196,622)**

(Amounts in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Delta Tucker Holdings, Inc.	Noncontrolling Interest	Total Deficit
Balance at December 31, 2015	**—**	**$ —**	**$ 554,379**	**$ (767,981)**	**$ (360)**	**$ (213,962)**	**$ 5,792**	**$ (208,170)**
Share based compensation, net	—	—	59	—	—	59	—	59
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	—	—	—	(47,151)	(138)	(47,289)	803	(46,486)
Capital contribution	—	—	450	—	—	450	—	450
DIFZ financing, net of tax	—	—	40	—	—	40	—	40
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(1,101)	(1,101)
Balance at September 30, 2016	**—**	**$ —**	**$ 554,928**	**$ (815,132)**	**$ (498)**	**$ (260,702)**	**$ 5,494**	**$ (255,208)**

See notes to unaudited condensed consolidated financial statements

Delta Tucker Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 — Basis of Presentation and Accounting Policies

Basis of Presentation

Delta Tucker Holdings, Inc. ("Holdings"), the parent of DynCorp International Inc. ("DynCorp International"), through its subsidiaries (together, "the Company"), provides defense and technical services and government outsourced solutions primarily to U.S. government agencies domestically and internationally. The Company was incorporated in the state of Delaware on April 1, 2010. Our customers include the 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. 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 unaudited condensed consolidated financial statements include the accounts of the Company and our domestic and foreign subsidiaries. These unaudited condensed consolidated financial statements have been prepared pursuant to accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, we believe that all disclosures are adequate and do not make the information presented misleading. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 .

In the opinion of management, normal recurring adjustments necessary to fairly present our financial position as of September 30, 2016 and December 31, 2015 , the results of operations and statements of comprehensive loss for the three and nine months ended September 30, 2016 and September 25, 2015 and the statements of deficit and cash flows for the nine months ended September 30, 2016 and September 25, 2015 have been included. The results of operations and statements of comprehensive loss for the three and nine months ended September 30, 2016 and September 25, 2015 and the statements of deficit and cash flows for the nine months ended September 30, 2016 and September 25, 2015 are not necessarily indicative of the results to be expected for the full calendar year or for any future periods. We use estimates and assumptions required for preparation of the financial statements. The estimates are primarily based on historical experience and business knowledge and are revised as circumstances change. Our actual results may differ from these estimates.

As described further in Note 7, 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 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. 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. We are working to address the upcoming maturity of the Senior Unsecured Notes to avoid the springing maturities of the New Term Loan and class B revolving facility, but there can be no assurances that we will be successful.

Principles of Consolidation

The unaudited condensed 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.

We classify our 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.

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. We 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 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 10 for further discussion regarding DIFZ.

Use of Estimates

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 following table presents the aggregate gross favorable and unfavorable adjustments to income before income taxes resulting from changes in contract estimates, excluding new or completed contracts where no comparative estimates exist between reporting periods, and certain routine contract actions such as changes resulting from the execution of contract options, for the three and nine months ended September 30, 2016 and September 25, 2015 .

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	**September 30, 2016**	**September 25, 2015**	**September 30, 2016**	**September 25, 2015**
Gross favorable adjustments	$ 11.2	$ 2.8	$ 16.5	$ 8.9
Gross unfavorable adjustments	(13.1)	(5.7)	(24.2)	(10.1)
Net adjustments	$ (1.9)	$ (2.9)	$ (7.7)	$ (1.2)

Accounting Policies

There have been no material changes to our significant accounting policies from those described in our Annual Report on Form 10-K for the year ended December 31, 2015, except as described below.

Restricted Cash

Restricted cash includes 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 from the execution of 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 September 30, 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.

Recently Adopted Accounting Standards

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 quarter ended March 25, 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 quarter ended March 25, 2016 . The adoption of this guidance 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 quarter ended March 25, 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 Condensed 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, *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 ASU No. 2015-17 during the quarter ended March 25, 2016 and applied it prospectively to the period ended March 25, 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 in the first quarter of 2016, which did not have a material impact upon the consolidated financial position, results of operations or cash flows. The Company adopted ASU 2016-17 during the quarter ended September 30, 2016 . We applied ASU 2016-17 retrospectively to all relevant periods within fiscal year 2016 when ASU 2015-02 was initially applied, and 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 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 of 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.

Other accounting standards updates effective after September 30, 2016 are not expected to have a material effect on our consolidated financial position or results of operations and cash flows for the period ended September 30, 2016 .

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

(Amounts in thousands)	As Of September 30, 2016	As Of December 31, 2015
Prepaid expenses	$ 28,340	$ 30,985
Income tax refunds receivable	105	204
Inventories	17,274	14,776
Work-in-process inventory	1,457	1,733
Joint venture receivables	47	460
Other current assets	7,011	7,525
Total prepaid expenses and other current assets	$ 54,234	$ 55,683

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets.

We adopted ASU 2015-03 during the quarter ended March 25, 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 September 30, 2016 and December 31, 2015 . See Note 1 for further discussion.

Held for Sale Assets

During the third quarter of 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 the third quarter of 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 as of June 24, 2016. As part of the reclassification, we recorded catch-up depreciation on any previously depreciable assets during the nine months ended September 30, 2016 totaling $0.3 million .

Property and equipment, net

(Amounts in thousands)	As Of September 30, 2016	As Of December 31, 2015
Helicopters	$ 983	$ 983
Computers and other equipment	11,360	10,392
Leasehold improvements	20,664	19,639
Office furniture and fixtures	5,306	4,541
Gross property and equipment	38,313	35,555
Less accumulated depreciation	(22,474)	(19,861)
Total property and equipment, net	$ 15,839	$ 15,694

As of September 30, 2016 and December 31, 2015 , Property and equipment, net, included the accrual for property additions of $0.9 million and $0.3 million , respectively. Depreciation expense, including certain depreciation amounts classified as Cost of services, was $1.0 million and $3.2 million during the three and nine months ended September 30, 2016 , respectively. Depreciation expense, including certain depreciation amounts classified as Cost of services, was $1.3 million and $4.8 million during the three and nine months ended September 25, 2015 , respectively.

Other assets, net

(Amounts in thousands)	As Of September 30, 2016	As Of December 31, 2015
Investment in affiliates	$ 9,239	$ 6,712
Palm promissory note, long-term portion	2,092	2,079
Other	3,573	3,536
Total other assets, net	$ 14,904	$ 12,327

We adopted ASU 2015-03 during the quarter ended March 25, 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 September 30, 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 $9.2 million as of September 30, 2016 primarily due to contributions to Global Linguist Solutions ("GLS"), partially offset by a $1.8 million impairment recorded against our investment in affiliates as of September 30, 2016 , as our investment in GLS had a loss in value that was other than temporary.

Accrued payroll and employee costs

(Amounts in thousands)	As Of September 30, 2016	As Of December 31, 2015
Wages, compensation and other benefits	$ 65,939	$ 85,216
Accrued vacation	17,155	14,433
Accrued contributions to employee benefit plans	1,239	1,032
Total accrued payroll and employee costs	$ 84,333	$ 100,681

Accrued liabilities

(Amounts in thousands)	As Of September 30, 2016	As Of December 31, 2015
Customer liabilities	$ 26,106	$ 21,183
Accrued insurance	22,249	35,530
Accrued interest	13,808	24,370
Contract losses	15,529	15,718
Legal reserves	10,780	5,063
Subcontractor retention	527	1,646
Other	14,710	11,208
Total accrued liabilities	$ 103,709	$ 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 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 September 30, 2016 and December 31, 2015 , Other long-term liabilities were $12.2 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 $3.8 million and $4.4 million as of September 30, 2016 and December 31, 2015 , respectively, and a long-term leasehold obligation related to our Tysons Corner facility in McLean, Virginia, of $3.4 million and $3.8 million as of September 30, 2016 and December 31, 2015 , respectively. Other long-term liabilities also include an uncertain tax benefit of $3.3 million and $3.3 million as of September 30, 2016 and December 31, 2015 , respectively. See Note 4 for further discussion.

Note 3 — Goodwill and Other Intangible Assets

As of September 30, 2016 , we had two operating and reporting segments: DynAviation and DynLogistics. DynAviation and DynLogistics provide services domestically and in foreign countries primarily under contracts with the U.S. government. Our current structure includes five reporting units: two reporting units in DynAviation with a carrying value of zero as of September 30, 2016 and December 31, 2015 , respectively, and three reporting units in DynLogistics with a carrying value of $42.1 million as of September 30, 2016 and December 31, 2015 , respectively. Of our five reporting units, only two had a goodwill balance as of September 30, 2016 which we assess for potential goodwill impairment.

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. Each operating and reportable segment is its own reporting unit. The Company will include its new reporting segments beginning in its Annual Report on Form 10-K for the year ended December 31, 2016 . See Note 12 for further discussion.

We assess goodwill and other intangible assets with indefinite lives for impairment annually in October or 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.

In connection with our annual assessment of goodwill during the fourth quarter of each year, we update our key assumptions, including our forecasts of revenue and income for each reporting unit. The projections for these reporting units include significant estimates related to new business opportunities. If we are unsuccessful in obtaining these opportunities in 2016, 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. There can be no assurance that the estimates and assumptions regarding forecasted earnings and cash flows, the period of strength of the U.S. defense spending, and other inputs used in forecasting the present value of forecasted cash flows will prove to be accurate projections of future performance.

There were no triggering events identified in our remaining reporting units and the estimated fair values of each of our remaining reporting units exceed their respective carrying values as of September 30, 2016 and December 31, 2015 .

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

	As of September 30, 2016			
(Amounts in thousands, except years)	**Weighted Average Remaining Useful Life (Years)**	**Gross Carrying Value**	**Accumulated Amortization**	**Net**
Other intangible assets:				
Customer-related intangible assets	3.2	$ 252,615	$ (164,483)	$ 88,132
Other				
Finite-lived	1.0	13,821	(10,133)	3,688
Total other intangibles		$ 266,436	$ (174,616)	$ 91,820
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 Remaining 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

During the period ended September 30, 2016 , we reduced the Department of State customer-related intangibles remaining useful life to align with the INL Air Wing extension of services through October 31, 2017. Amortization expense for customer-related intangibles, other intangibles and finite-lived tradenames was $8.1 million and $23.6 million for the three and nine months ended September 30, 2016 , respectively. Amortization expense for customer-related intangibles, other intangibles and finite-lived tradenames was $8.2 million and $22.7 million for the three and nine months ended September 25, 2015 , respectively. Other intangibles are primarily representative of our capitalized software which had a net carrying value of $3.7 million and $2.9 million as of September 30, 2016 and December 31, 2015 , respectively.

Estimated aggregate future amortization expense for finite lived assets subject to amortization are $8.3 million for the three months ending December 31, 2016 , $29.4 million in 2017, $21.5 million in 2018, $21.3 million in 2019, $11.1 million in 2020 and $0.2 million thereafter.

Note 4 — Income Taxes

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

	Three Months Ended		Nine Months Ended	
(Amounts in thousands)	September 30, 2016	September 25, 2015	September 30, 2016	September 25, 2015
Domestic	$ (11,867)	$ (17,120)	$ (41,927)	$ (129,375)
Foreign	1,360	1,330	3,260	(59)
Loss before income taxes	$ (10,507)	$ (15,790)	$ (38,667)	$ (129,434)

Deferred tax liabilities, net consist of the following:

	As Of	
(Amounts in thousands)	September 30, 2016	December 31, 2015
Current deferred tax liabilities, net	$ —	$ (27,334)
Non-current deferred tax (liabilities) assets, net	(14,103)	13,364
Deferred tax liabilities, net	$ (14,103)	$ (13,970)

During the quarter ended March 25, 2016 , we adopted ASU No. 2015-17, *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 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.

Our effective tax rate ("ETR") was 33.7% and (19.9)% for the three and nine months ended September 30, 2016 , respectively. Our ETR was 3.4% and 7.7% for the three and nine months ended September 25, 2015 , respectively. For the three months ended September 30, 2016 , the ETR was primarily driven by an increase to the forecasted full year loss before income taxes and for the nine months ended September 30, 2016 , the ETR was primarily impacted by an increase in the valuation allowance related to a deferred tax asset which was created by cancellation of debt income resulting from the effects of the refinancing transactions we completed on June 15, 2016 . Our ETR for the three and nine months ended September 25, 2015 was primarily impacted by a goodwill impairment of our Aviation reporting unit and an increase in the valuation allowance.

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, 2015 . 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 and 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 $85.1 million as of September 30, 2016 .

As of both September 30, 2016 and December 31, 2015 , we had $2.6 million of total unrecognized tax benefits of which $2.3 million would impact our effective tax rate if recognized. We do not expect the unrecognized tax benefit and any related interest or penalties to be settled within the next twelve months.

During the nine months ended September 30, 2016 , we made no estimated federal income tax payments and we received an expected federal income tax refund relating to amended returns filed for previous years. Other than the federal income tax refund discussed above, all income taxes paid or refunds received during the nine months ended September 30, 2016 were related to state or foreign jurisdictions.

Note 5 — Accounts Receivable

Accounts receivable, net consisted of the following:

	As Of	
(Amounts in thousands)	September 30, 2016	December 31, 2015
Billed	$ 100,254	$ 136,127
Unbilled	225,061	249,970
Total accounts receivable, net	$ 325,315	$ 386,097

Unbilled receivables as of September 30, 2016 and December 31, 2015 include $28.6 million and $21.3 million , respectively, 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.

As of September 30, 2016 , we had three contract claims outstanding totaling $3.5 million , net of reserves. There were no contract claims as of December 31, 2015 . 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 was $16.3 million as of December 31, 2015 compared to $18.0 million as of September 30, 2016 , and is primarily due to 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 — 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, 11.875% senior secured second lien notes (the "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 September 30, 2016 , has been calculated by discounting the expected cash flows using a discount rate of 18.1% . 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.

	As Of			
	September 30, 2016		December 31, 2015	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
10.375% senior unsecured notes	$ 39,319	$ 34,601	$ 455,000	$ 337,838
11.875% senior secured second lien notes	373,385	273,504	—	—
Term loan	207,400	196,770	187,272	179,781
Cerberus 3L notes	30,438	8,613	—	—
Total indebtedness	650,542	513,488	642,272	517,619
Less current portion of long-term debt	(61,819)	(55,949)	(187,272)	(179,781)
Total long-term debt	$ 588,723	$ 457,539	$ 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 7 — Debt

Debt consisted of the following:

(Amounts in thousands)	As of September 30, 2016 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	—	(1,682)	371,703
Term loan	207,400	(13,471)	(4,624)	189,305
Cerberus 3L notes	30,438	—	(82)	30,356
Total indebtedness	650,542	(13,471)	(6,388)	630,683
Less current portion of long-term debt	(61,819)	1,461	242	(60,116)
Total long-term debt	$ 588,723	$ (12,010)	$ (6,146)	$ 570,567

(Amounts in thousands)	As of December 31, 2015 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 as of March 25, 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 $0.5 million and $3.5 million during the three and nine months ended September 30, 2016 , respectively. Amortization related to deferred financing costs was $1.6 million and $4.8 million during the three and nine months ended September 25, 2015 , respectively. Deferred financing costs for the three and nine months ended September 30, 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 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 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 September 30, 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 September 30, 2016 and classified as a financing activity in our Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 . The original issue discount is amortized through interest expense. Amortization related to the original issue discount was $1.0 million and $1.1 million during the three and nine months ended September 30, 2016 , respectively.

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 September 30, 2016 and December 31, 2015 , the available borrowing capacity under the New Senior Credit Facility and the Senior Credit Facility was approximately $49.5 million and $102.2 million , respectively, and included $36.3 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 September 30, 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 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 September 30, 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 6.0% with respect to the class B revolving commitments and 4.25% with respect to the class A revolving commitments as of September 30, 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 0.75% with respect to the class B revolving commitments as of September 30, 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

Our Senior Credit Facility contained an annual requirement to submit a portion of our Excess Cash Flow, as defined in the Senior Credit Facility, 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 . 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 nine months ended September 30, 2016 . During the nine months ended September 30, 2016 and September 25, 2015 , we made $4.6 million and zero principal payments on the Term Loan, respectively.

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 . The current portion of long-term debt as of September 30, 2016 includes our New Term Loan payment of $22.5 million due on June 15, 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 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. 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 .

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 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
September 30, 2016	7.50 to 1.0
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
September 30, 2016	1.15 to 1.0
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 September 30, 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 nine months ended September 30, 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 the 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.

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 September 30, 2016 . We expect that we will either refinance or repay the remaining Senior Unsecured Notes through capital contributions, equity sales or refinancing on or before May 8, 2017 (although there can be no assurances that we will be successful). This requirement within our New Senior Credit Facility specifies that we either extend the maturity date of the Senior Unsecured Notes to a date on or after October 6, 2020 or repay 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. 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. 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, DynCorp International amended the Senior Unsecured Notes Indenture 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 September 30, 2016 and December 31, 2015 , the quoted market value of the Senior Unsecured Notes was approximately 88.0% 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 nine months ended September 30, 2016 , we utilized approximately $17.3 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 real estate leases are subject to annual escalations for increases in base rents, utilities and property taxes. Lease rental expense was $10.8 million and $29.4 million for the three and nine months ended September 30, 2016 , respectively. Lease rental expense was $10.0 million and $39.4 million for the three and nine months ended September 25, 2015 , respectively. We have no significant long-term purchase agreements with service providers.

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 $10.8 million and $5.1 million as of September 30, 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 September 30, 2016 . These accrued reserves represent the best estimate of amounts believed to be our liability in a range of expected losses. In addition to matters that are considered probable and that can be reasonably estimated, we also have certain matters considered reasonably possible. Other than matters disclosed below, we believe the aggregate range of possible loss related to matters considered reasonably possible was not material as of September 30, 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 were 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 twenty-six residents of the Sucumbíos Province in Ecuador, was brought against our operating company and several of its former affiliates in the U.S. District Court for the District of Columbia. The action alleges violations of the laws of nations and U.S. treaties, negligence, emotional distress, nuisance, battery, trespass, strict liability, and medical monitoring arising from the spraying of herbicides near the Ecuador-Colombia border in connection with the performance of the DoS, International Narcotics and Law Enforcement contract for the eradication of narcotic plant crops in Colombia. As of January 12, 2010 , fifteen of the plaintiffs have been dismissed by court order. 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 ("CNTPO"). 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 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 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 Department of State 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, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed 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 many 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 had 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 I 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 three months ended September 30, 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 LOGCAP IV. In July 2016 , we received two Form 1s from the DCAA questioning approximately $2.7 million for which we concur with approximately $20,000 . We believe more Form 1s could be issued in the future for approximately $54.0 million . Over the past several years, we have been successful in working with the DCAA, Defense Contract Management Agency and our customer in resolving matters included in Form 1s as well as other transmittals. Specific to the LOGCAP IV audit reports, we have provided responses to the DCAA that have articulated our position on each issue and have attempted to answer their questions and provide clarification of the facts to resolve the issues raised. While we believe that we will be successful in defending our position, there can be no guarantees that we will be able to address all of their concerns or entirely avoid financial loss.

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 September 30, 2016 , a reasonable estimate of loss or range of loss could not be made as we could not reasonably estimate the ultimate outcome related to the issues assessed.

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. 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 $10.5 million and $11.0 million as of September 30, 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 workers' compensation and employers' 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 — Segment Information

As of September 30, 2016 , we had two operating and reporting segments: DynAviation and DynLogistics. The DynAviation 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. In October 2016, the Company amended its organizational structure resulting in a change to its operating and reporting segments, which it will include in its Annual Report on Form 10-K for the year ended December 31, 2016 . See Note 12 for further discussion.

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

	Three Months Ended		Nine Months Ended	
(Amounts in thousands)	**September 30, 2016**	**September 25, 2015**	**September 30, 2016**	**September 25, 2015**
Revenue				
DynAviation	$ 326,408	$ 316,337	$ 913,564	$ 950,749
DynLogistics	177,328	163,187	461,187	485,781
Headquarters / Other (1)	(302)	284	(359)	470
Total revenue	$ 503,434	$ 479,808	$ 1,374,392	$ 1,437,000
Operating (loss) income				
DynAviation	$ 6,739	$ (4,137)	$ 17,206	$ (76,509)
DynLogistics	23,920	16,800	49,798	27,807
Headquarters / Other (2)	(21,269)	(11,344)	(57,064)	(32,039)
Total operating income (loss)	$ 9,390	$ 1,319	$ 9,940	$ (80,741)
Depreciation and amortization				
DynAviation	$ 259	$ 491	$ 944	$ 2,291
DynLogistics	138	75	260	187
Headquarters / Other	8,725	8,913	25,595	25,148
Total depreciation and amortization (3)	$ 9,122	$ 9,479	$ 26,799	$ 27,626

(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 relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers, Global Advisory Group costs and costs associated with the Refinancing Transactions, partially offset by equity method investee income.

(3) Includes amounts included in Cost of services of $0.2 million and $0.7 million and for the three and nine months ended September 30, 2016 , respectively, and $0.4 million and $2.0 million for the three and nine months ended September 25, 2015 , respectively.

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

	As Of	
(Amounts in thousands)	**September 30, 2016**	**December 31, 2015**
Assets		
DynAviation	$ 302,414	$ 351,627
DynLogistics	147,704	173,036
Headquarters / Other (1)	235,026	260,026
Total assets	$ 685,144	$ 784,689

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

Note 10 — 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.

Consulting Fee

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 $1.3 million and $4.5 million of consulting fees on a gross basis before considering the effect of our contract mix which provides for partial recovery, during the three and nine months ended September 30, 2016 , respectively, and $1.9 million and $6.1 million during the three and nine months ended September 25, 2015 , 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 previous Senior Vice President, DynGlobal and current Chief Operating Officer. Included in the $1.3 million and $4.5 million recognized during the three and nine months ended September 30, 2016 in COAC consulting fees, was $0.6 million and $1.9 million of administrative expense related to these two COAC individuals for the three months and nine months ended September 30, 2016 , respectively. Included in the $1.9 million and $6.1 million recognized during the three and nine months ended September 25, 2015 in COAC consulting fees, was $1.0 million and $3.3 million of administrative expense related to seconded COAC employees for the three and nine months ended September 25, 2015 , 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 and board members of the Company and seconded COAC individuals may have agreements and conduct business with Cerberus and its affiliates for which they receive compensation. We recognize such compensation as an administrative expense in the consolidated financial statements.

Joint Ventures and Variable Interest Entities

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 September 30, 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. Alternatively, we present our share of the Babcock earnings in Other income, net as it is not considered operationally integral. During the period ended September 30, 2016 , the CRS joint venture was dissolved and the CRS Delaware legal entity registration canceled; therefore, as of September 30, 2016 we will no longer recognize equity method income for the entity.

Receivables due from our unconsolidated joint ventures totaled $0.1 million and $0.5 million as of September 30, 2016 and 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 three and nine months ended September 30, 2016 . The related revenue we earned from our unconsolidated joint ventures totaled $0.0 million and $0.4 million during the three and nine months ended September 25, 2015 , respectively. The related cost of services was $0.1 million and $0.4 million during the three and nine months ended September 30, 2016 and $0.1 million and $0.5 million during the three and nine months ended September 25, 2015 , respectively. Additionally, we earned $0.1 million and $0.8 million in equity method income (includes operationally integral and non-integral income) during the three and nine months ended September 30, 2016 and $0.5 million and $1.3 million in equity method income during the three and nine months ended September 25, 2015 , respectively.

GLS' revenue was $10.2 million and $31.3 million during the three and nine months ended September 30, 2016 , respectively, and $6.5 million and $20.0 million during the three and nine months ended September 25, 2015 . GLS' operating and net loss was $0.4 million and $1.9 million during the three and nine months ended September 30, 2016 , and $0.8 million and $1.4 million during the three and nine months ended September 25, 2015 , 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 $2.3 million and $2.5 million as of September 30, 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 September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and September 25, 2015 :

	As Of	
(Amounts in millions)	**September 30, 2016**	**December 31, 2015**
Assets	$ 4.0	$ 4.7
Liabilities	0.8	1.1

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	**September 30, 2016**	**September 25, 2015**	**September 30, 2016**	**September 25, 2015**
Revenue	$ 48.3	$ 54.9	$ 133.9	$ 162.2

The following tables present selected financial information for our equity method investees as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and September 25, 2015 :

	As Of	
(Amounts in millions)	**September 30, 2016**	**December 31, 2015**
Current assets	$ 34.2	$ 32.2
Total assets	35.8	32.2
Current liabilities	12.2	12.5
Total liabilities	12.2	12.5

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	**September 30, 2016**	**September 25, 2015**	**September 30, 2016**	**September 25, 2015**
Revenue	$ 13.3	$ 19.6	$ 50.7	$ 87.0
Gross profit	(1.5)	4.5	—	13.2
Net income	(0.8)	3.5	—	10.3

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) $9.2 million investment in unconsolidated joint ventures, (ii) $0.1 million in receivables from our unconsolidated joint ventures, (iii) $2.3 million note receivable from Palm Trading Investment Corp. and (iv) contingent liabilities that were neither probable nor reasonably estimable as of September 30, 2016 .

Note 11 — Consolidating Financial Statements of Subsidiary Guarantors

The New Notes issued by DynCorp International Inc. ("Subsidiary Issuer"), the New 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 the 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., Culpeper 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) unaudited condensed consolidating balance sheets as of September 30, 2016 and December 31, 2015 , (ii) unaudited condensed consolidating statements of operations and comprehensive loss for the three and nine months ended September 30, 2016 and September 25, 2015 , (iii) unaudited condensed consolidating statements of cash flows for the nine months ended September 30, 2016 and September 25, 2015 and (iii) 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
Unaudited Condensed Consolidating Statement of Operations Information
For the Three Months Ended September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 508,038	$ 55,080	$ (59,684)	$ 503,434
Cost of services	—	—	(450,454)	(54,296)	59,660	(445,090)
Selling, general and administrative expenses	—	—	(38,442)	64	21	(38,357)
Depreciation and amortization expense	—	—	(8,692)	(186)	3	(8,875)
Earnings from equity method investees	—	—	60	—	—	60
Impairment of goodwill, intangibles and long-lived assets	—	—	(1,782)	—	—	(1,782)
Operating income	—	—	8,728	662	—	9,390
Interest expense	—	(19,195)	(1,035)	—	—	(20,230)
Interest income	—	—	115	2	—	117
Equity in (loss) income of consolidated subsidiaries	(7,271)	5,207	315	—	1,749	—
Other income (loss), net	—	—	258	(42)	—	216
(Loss) income before income taxes	(7,271)	(13,988)	8,381	622	1,749	(10,507)
Benefit (provision) for income taxes	—	6,717	(3,174)	—	—	3,543
Net (loss) income	(7,271)	(7,271)	5,207	622	1,749	(6,964)
Noncontrolling interests	—	—	—	(307)	—	(307)
Net (loss) income attributable to Delta Tucker Holdings, Inc.	$ (7,271)	$ (7,271)	$ 5,207	$ 315	$ 1,749	$ (7,271)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Three Months Ended September 25, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 484,403	$ 61,093	$ (65,688)	$ 479,808
Cost of services	—	—	(432,723)	(60,467)	65,661	(427,529)
Selling, general and administrative expenses	—	—	(35,254)	(10)	27	(35,237)
Depreciation and amortization expense	—	—	(8,867)	(172)	—	(9,039)
Earnings from equity method investees	—	—	6	—	—	6
Impairment of goodwill, intangibles and long-lived assets	—	—	(6,690)	—	—	(6,690)
Operating income	—	—	875	444	—	1,319
Interest expense	—	(16,486)	(715)	—	—	(17,201)
Interest income	—	—	17	2	—	19
Equity in loss of consolidated subsidiaries	(15,749)	(5,030)	(90)	—	20,869	—
Other income (loss), net	—	—	139	(66)	—	73
(Loss) income before income taxes	(15,749)	(21,516)	226	380	20,869	(15,790)
Benefit (provision) for income taxes	—	5,767	(5,256)	29	—	540
Net (loss) income	(15,749)	(15,749)	(5,030)	409	20,869	(15,250)
Noncontrolling interests	—	—	—	(499)	—	(499)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (15,749)	$ (15,749)	$ (5,030)	$ (90)	$ 20,869	$ (15,749)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Nine Months Ended September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,385,877	$ 151,878	$ (163,363)	$ 1,374,392
Cost of services	—	—	(1,240,567)	(150,692)	163,311	(1,227,948)
Selling, general and administrative expenses	—	—	(109,450)	—	45	(109,405)
Depreciation and amortization expense	—	—	(25,554)	(531)	7	(26,078)
Earnings from equity method investees	—	—	761	—	—	761
Impairment of goodwill, intangibles and long-lived assets	—	—	(1,782)	—	—	(1,782)
Operating income	—	—	9,285	655	—	9,940
Interest expense	—	(51,235)	(2,422)	—	—	(53,657)
Loss on early extinguishment of debt	—	(328)	—	—	—	(328)
Interest income	—	—	194	5	—	199
Equity in loss of consolidated subsidiaries	(47,151)	(13,634)	(328)	—	61,113	—
Other income (loss), net	—	—	5,307	(128)	—	5,179
(Loss) income before income taxes	(47,151)	(65,197)	12,036	532	61,113	(38,667)
Benefit (provision) for income taxes	—	18,046	(25,670)	(57)	—	(7,681)
Net (loss) income	(47,151)	(47,151)	(13,634)	475	61,113	(46,348)
Noncontrolling interests	—	—	—	(803)	—	(803)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (47,151)	$ (47,151)	$ (13,634)	$ (328)	$ 61,113	$ (47,151)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Nine Months Ended September 25, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,450,444	$ 180,400	$ (193,844)	$ 1,437,000
Cost of services	—	—	(1,306,232)	(178,434)	193,786	(1,290,880)
Selling, general and administrative expenses	—	—	(107,939)	(39)	58	(107,920)
Depreciation and amortization expense	—	—	(24,637)	(950)	—	(25,587)
Earnings from equity method investees	—	—	131	—	—	131
Impairment of goodwill, intangibles and long-lived assets	—	—	(93,485)	—	—	(93,485)
Operating (loss) income	—	—	(81,718)	977	—	(80,741)
Interest expense	—	(48,423)	(2,006)	—	—	(50,429)
Interest income	—	—	57	4	—	61
Equity in loss of consolidated subsidiaries	(120,636)	(89,158)	(535)	—	210,329	—
Other income, net	—	—	1,659	16	—	1,675
(Loss) income before income taxes	(120,636)	(137,581)	(82,543)	997	210,329	(129,434)
Benefit (provision) for income taxes	—	16,945	(6,615)	(305)	—	10,025
Net (loss) income	(120,636)	(120,636)	(89,158)	692	210,329	(119,409)
Noncontrolling interests	—	—	—	(1,227)	—	(1,227)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (120,636)	$ (120,636)	$ (89,158)	$ (535)	$ 210,329	$ (120,636)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Loss Information
For the Three Months Ended September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (7,271)	$ (7,271)	$ 5,207	$ 622	$ 1,749	$ (6,964)
Other comprehensive loss:						
Currency translation adjustment	(216)	(216)	—	(216)	432	(216)
Other comprehensive loss, before tax	(216)	(216)	—	(216)	432	(216)
Income tax benefit related to items of other comprehensive loss	78	78	—	78	(156)	78
Other comprehensive loss	(138)	(138)	—	(138)	276	(138)
Comprehensive (loss) income	(7,409)	(7,409)	5,207	484	2,025	(7,102)
Noncontrolling interests	—	—	—	(307)	—	(307)
Comprehensive (loss) income attributable to Delta Tucker Holdings, Inc.	$ (7,409)	$ (7,409)	$ 5,207	$ 177	$ 2,025	$ (7,409)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Loss Information
For the Three Months Ended September 25, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (15,749)	$ (15,749)	$ (5,030)	$ 409	$ 20,869	$ (15,250)
Other comprehensive loss:						
Currency translation adjustment	—	—	—	—	—	—
Other comprehensive loss, before tax	—	—	—	—	—	—
Income tax benefit related to items of other comprehensive loss	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—
Comprehensive (loss) income	(15,749)	(15,749)	(5,030)	409	20,869	(15,250)
Noncontrolling interests	—	—	—	(499)	—	(499)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (15,749)	$ (15,749)	$ (5,030)	$ (90)	$ 20,869	$ (15,749)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Loss Information
For the Nine Months Ended September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (47,151)	$ (47,151)	$ (13,634)	$ 475	$ 61,113	$ (46,348)
Other comprehensive loss:						
Currency translation adjustment	(215)	(215)	—	(215)	430	(215)
Other comprehensive loss, before tax	(215)	(215)	—	(215)	430	(215)
Income tax benefit related to items of other comprehensive loss	77	77	—	77	(154)	77
Other comprehensive loss	(138)	(138)	—	(138)	276	(138)
Comprehensive (loss) income	(47,289)	(47,289)	(13,634)	337	61,389	(46,486)
Noncontrolling interests	—	—	—	(803)	—	(803)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (47,289)	$ (47,289)	$ (13,634)	$ (466)	$ 61,389	$ (47,289)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Loss Information
For the Nine Months Ended September 25, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net (loss) income	$ (120,636)	$ (120,636)	$ (89,158)	$ 692	$ 210,329	$ (119,409)
Other comprehensive loss:						
Currency translation adjustment	(101)	(101)	—	(101)	202	(101)
Other comprehensive loss, before tax	(101)	(101)	—	(101)	202	(101)
Income tax benefit related to items of other comprehensive loss	36	36	—	36	(72)	36
Other comprehensive loss	(65)	(65)	—	(65)	130	(65)
Comprehensive (loss) income	(120,701)	(120,701)	(89,158)	627	210,459	(119,474)
Noncontrolling interests	—	—	—	(1,227)	—	(1,227)
Comprehensive loss attributable to Delta Tucker Holdings, Inc.	$ (120,701)	$ (120,701)	$ (89,158)	$ (600)	$ 210,459	$ (120,701)

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Balance Sheet Information
September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 84,150	$ 14,789	$ —	$ 98,939
Restricted cash	—	12,744	720	—	—	13,464
Accounts receivable, net	—	—	333,963	4,324	(12,972)	325,315
Intercompany receivables	—	—	202,482	4,958	(207,440)	—
Prepaid expenses and other current assets	—	—	53,124	1,606	(496)	54,234
Total current assets	—	12,744	674,439	25,677	(220,908)	491,952
Property and equipment, net	—	—	14,921	918	—	15,839
Goodwill	—	—	9,694	32,399	—	42,093
Tradenames, net	—	—	28,536	—	—	28,536
Other intangibles, net	—	—	91,820	—	—	91,820
Investment in subsidiaries	—	585,207	54,696	—	(639,903)	—
Other assets, net	—	—	11,557	3,347	—	14,904
Total assets	$ —	$ 597,951	$ 885,663	$ 62,341	$ (860,811)	$ 685,144
			LIABILITIES & DEFICIT			
Current liabilities:						
Current portion of long-term debt	$ —	$ 60,116	$ —	$ —	$ —	$ 60,116
Accounts payable	—	—	88,014	1,273	(2,069)	87,218
Accrued payroll and employee costs	—	—	81,684	2,649	—	84,333
Intercompany payables	45,085	157,397	4,958	—	(207,440)	—
Deferred income taxes	—	—	—	27	(27)	—
Accrued liabilities	215,617	25,488	85,821	3,696	(226,913)	103,709
Income taxes payable	—	—	8,187	—	(76)	8,111
Total current liabilities	260,702	243,001	268,664	7,645	(436,525)	343,487
Long-term debt	—	570,567	—	—	—	570,567
Other long-term liabilities	—	—	26,298	—	—	26,298
Noncontrolling interests	—	—	5,494	—	—	5,494
(Deficit) equity	(260,702)	(215,617)	585,207	54,696	(424,286)	(260,702)
Total liabilities and deficit	$ —	$ 597,951	$ 885,663	$ 62,341	$ (860,811)	$ 685,144

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited 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
Unaudited Condensed Consolidating Statement of Cash Flow Information
For the Nine Months Ended September 30, 2016

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 557	$ 57,754	$ (12,489)	$ (20,409)	$ (736)	$ 24,677
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(2,738)	(24)	—	(2,762)
Proceeds from sale of property, plant and equipment	—	—	832	—	—	832
Purchase of software	—	—	(1,775)	—	—	(1,775)
Restriction on cash related to Cerberus 3L Notes	—	(12,744)	—	—	—	(12,744)
Return of capital from equity method investees	—	—	1,557	—	—	1,557
Contributions to equity method investees	—	—	(4,956)	—	—	(4,956)
Transfers from (to) affiliates	—	—	31,627	23,273	(54,900)	—
Net cash provided by (used in) investing activities	—	(12,744)	24,547	23,249	(54,900)	(19,848)
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)
Payment of deferred financing costs	—	(4,998)	—	—	—	(4,998)
Equity contribution from affiliates to Cerberus	—	450	—	—	—	450
Payments of dividends to noncontrolling interests	—	—	—	(1,468)	734	(734)
Net transfers from/(to) Parent/subsidiary	(557)	(31,072)	(23,273)	—	54,902	—
Net cash used in financing activities	(557)	(45,010)	(23,273)	(1,468)	55,636	(14,672)
Net (decrease) increase in cash and cash equivalents	—	—	(11,215)	1,372	—	(9,843)
Cash and cash equivalents, beginning of period	—	—	95,365	13,417	—	108,782
Cash and cash equivalents, end of period	$ —	$ —	$ 84,150	$ 14,789	$ —	$ 98,939

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Cash Flow Information
For The Nine Months Ended September 25, 2015

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 557	$ 16,197	$ (35,909)	$ (5,675)	$ (688)	$ (25,518)
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(1,542)	(1,138)	—	(2,680)
Proceeds from sale of property, plant and equipment	—	—	478	—	—	478
Purchase of software	—	—	(998)	—	—	(998)
Return of capital from equity method investees	—	—	3,683	—	—	3,683
Contributions to equity method investees	—	—	(1,427)	—	—	(1,427)
Transfers from (to) affiliates	—	—	17,504	14,981	(32,485)	—
Net cash provided by (used in) investing activities	—	—	17,698	13,843	(32,485)	(944)
Cash flows from financing activities:						
Borrowings on long-term debt	—	139,600	—	—	—	139,600
Payments on long-term debt	—	(139,600)	—	—	—	(139,600)
Payments related to financed insurance	—	—	(2,055)	—	—	(2,055)
Equity contributions from affiliates of Cerberus	—	750	—	—	—	750
Payments of dividends to Parent	—	—	—	(1,376)	688	(688)
Net transfers from/(to) Parent/subsidiary	(557)	(16,947)	(14,981)	—	32,485	—
Net cash used in financing activities	(557)	(16,197)	(17,036)	(1,376)	33,173	(1,993)
Net (decrease) increase in cash and cash equivalents	—	—	(35,247)	6,792	—	(28,455)
Cash and cash equivalents, beginning of period	—	—	87,300	6,704	—	94,004
Cash and cash equivalents, end of period	$ —	$ —	$ 52,053	$ 13,496	$ —	$ 65,549

Note 12 — Subsequent Events

The Company evaluated potential subsequent events occurring after the period end date through the date the financial statements were issued and concluded that there were no material subsequent events for the quarter ended September 30, 2016 , except as disclosed within the Notes to the unaudited condensed consolidated financial statements or as described below.

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, which the Company will include in its Annual Report on Form 10-K for the year ended December 31, 2016 . Each operating and reportable segment is its own reporting unit.

The Company's AELS segment, comprised primarily of the Company's Air Force and 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 smoothly. AELS offers a full spectrum of capabilities including training, supply chain management, aircraft modernization, platform sustainment and data optimization.

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 Company's DynLogistics segment remains unchanged.

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

The following discussion and analysis of our unaudited condensed consolidated financial condition and results of operations should be read in conjunction with the Delta Tucker Holdings, Inc. unaudited condensed consolidated financial statements, and the notes thereto, and other data contained elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis should also be read in conjunction with our audited consolidated financial statements, and notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2015 . In addition, please see "Disclosure Regarding Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions associated with these statements. References to "Delta Tucker Holdings", the "Company", "we", "our" or "us" refer to Delta Tucker Holdings, Inc. and its subsidiaries unless otherwise stated or indicated by context.

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 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.

Reportable Segments

The Company's organizational structure includes two operating and reporting segments: DynAviation and DynLogistics. Our segments provide services domestically and internationally primarily under contracts with the U.S. government.

DynAviation

This segment provides worldwide maintenance of aircraft fleet and ground vehicles, which includes logistics support on aircraft and aerial firefighting services, weapons systems, and related support equipment to the DoD, other U.S. government agencies and direct contracts with foreign governments. This segment also provides foreign assistance programs to help foreign governments improve their ability to develop and implement national strategies and programs to prevent the production, trafficking and abuse of illicit drugs. The INL Air Wing and T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS") programs are two of the most significant programs in the DynAviation 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. 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.

As previously disclosed in the 2015 Annual Report, the Company has been engaged in a recompete process related to the INL Air Wing contract. As stated in the 2015 Annual Report, in October 2015, the Company received notification of a new competitive range decision that reinstated the Company's proposal back into the competitive range for the recompete regarding services after October 2016. The Company submitted its 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 U.S. Government Accountability Office ("GAO") challenging the DoS agency's award determination. Under applicable law, a decision by the GAO is generally issued within 100 days of the filing of the protest. On September 27, 2016, DynAviation 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.

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 materiels, 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.

Operating Segment Change

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. Each operating and reportable segment is its own reporting unit.

The Company's AELS segment, comprised primarily of the Company's Air Force and 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 smoothly. AELS offers a full spectrum of capabilities including training, supply chain management, aircraft modernization, platform sustainment and data optimization. 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 Company's DynLogistics segment is discussed above and remains unchanged.

Our segments provide services domestically and in foreign countries under contracts with the U.S. government and foreign customers and will 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. The Company's financial results will reflect the new organizational structure beginning with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

Current Operating Environment and Outlook

The following discussion is a supplement to and should be read in conjunction with the accompanying unaudited financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2015 .

External Factors

While the timeline for Congressional resolution of the fiscal year 2017 national security funding bills has been delayed to at least December 2016, the general parameters for topline spending were already determined in the Bipartisan Budget Act of 2015 ("BBA"). The BBA allows for a return to growth in the defense base budget. In addition to topline growth, the President’s Budget Request ("PBR") for defense is focused on readiness. In short, the services are focused on reconstituting a force that is trained, equipped and maintained at a level to meet the global strategic threat environment. While the services market remains highly competitive and cost continues to be a driver, relative budget stability, as well as the focus on readiness activities, provides some relief to the defense services sector after an extended period of downward pressure.

Even as political and timeliness challenges remain, we have seen improvements on the budgetary front. 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 requirements, funding levels and mechanisms to support necessary policy 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.

The BBA addresses the BCA spending caps by adding $30 billion in fiscal year 2017, equally split between the Security and Non-Security budget accounts. The budget deal also includes an additional $16 billion in fiscal year 2017 Overseas Contingency Operations ("OCO") funding, which is also equally split between the Security and Non-Security accounts.

The President's fiscal year budget request is $583 billion with $524 billion in the base budget and $59 billion in OCO. On Operations and Maintenance ("O&M"), the fiscal year 2017 request is $251 billion which reflects a $6.5 billion increase above fiscal year 2016 and reaffirms that this year's request is a readiness budget. This is especially true for the Army, where O&M increased by $3.5 billion to $63 billion. The Chief of Staff of the Army, General Mark A. Milley, has said on several recent occasions that "combat readiness is our number one priority and there is no other number one." This statement is indicative of all the services current focus on O&M funded readiness activities.

With regard to OCO, the budget request will prioritize defeating the Islamic State of Iraq and Syria ("ISIS") and funds to deter Russia. Specifically, the request includes $7.5 billion to combat ISIS, which is a 50% increase over fiscal year 2016. Additionally, the $3.4 billion request for the European Reassurance Initiative ("ERI"), a program to dissuade further Russian aggression, reflects a striking 330% increase in ERI funding. The OCO request also includes $41 billion for operations in Afghanistan to support maintaining a larger operating presence, in both troops and bases, than previously projected.

Leaders in Congress are concerned that the fiscal year 2017 defense budget request is insufficient to meet global threats without creating a base budget shortfall. Recent disclosures by the Pentagon on the amount of OCO funds used for base budget readiness activities affirms this concern. The defense committees are currently in the process of reconciling differing approaches on how to fund the DoD in a manner that provides necessary funding to sustain overseas operations while also addressing the current readiness crisis. Lastly on the budget, Speaker of the U.S. House of Representatives Paul Ryan recently publicly stated that raising spending for defense activities will be one of his key priorities in 2017. While all decisions regarding defense and national security spending are dependent on upcoming elections, this is a positive acknowledgement that increased funding is needed to meet our planning and policy objectives.

With regard to the international environment, we believe the decision to leave 8,400 troops in Afghanistan, instead of the projected 5,500, the continued increases in the number of U.S. troops being deployed to Iraq, the increased presence of Special Forces advisors and trainers in Syria, the increased operational tempo in both Iraq and Syria and continued instability in Yemen, Ukraine and others, argues for increasing funding for contingency operations.

The U.S. and its allies are confronted with a complex, challenging and often violent world where U.S. leadership is still required. We believe this leadership includes assisting in the development of and equipping of allied security forces and related civil institutions to bolster international stability and security. With growing tensions between the international powers on how to resolve the Syrian conflict; increased offensive operational tempo by the Iraqi and supporting coalition forces against ISIS; and even direct U.S. kinetic action in Yemen, demonstrates the international environment will continue to be marked by instability for the foreseeable future. To meet these leadership commitments requires human and financial resources. Reflecting this reality, in the coming months, the President is expected to submit an emergency supplemental appropriations request to Congress to pay for the unanticipated costs for deployed troops and operational tempo as well as to address readiness shortfalls.

From a business perspective, 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.

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, 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, sequestration or significant declines in our business, 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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, 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 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. 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. We are working to address the upcoming maturity of the Senior Unsecured Notes to avoid the springing maturities of the New Term Loan and class B revolving facility, but there can be no assurances that we will be successful.

Notable Events for the nine months ended September 30, 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 our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

- In May 2016, DynAviation 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 have 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 our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

- 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 our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

- 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, DynAviation 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. Under applicable law, a decision by the GAO is generally issued within 100 days of the filing of the protest.

- On September 27, 2016, DynAviation 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, 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.

Contract Types

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

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 25, 2015	September 30, 2016	September 25, 2015
Fixed-Price	45%	38%	45%	38%
Time-and-Materials	5%	15%	5%	14%
Cost-Reimbursement	50%	47%	50%	48%
Total	100%	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 2016.

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.

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.

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:

	As Of	
(Amounts in millions)	**September 30, 2016**	**December 31, 2015**
Funded backlog	$ 1,508	$ 1,183
Unfunded backlog	1,231	1,859
Total	$ 2,739	$ 3,042

The decrease in backlog as of September 30, 2016 was primarily due to revenue outpacing orders as potential contract wins continue to be pushed to subsequent periods.

Results of Operations

Consolidated Three Months Ended September 30, 2016 compared to the Three Months Ended September 25, 2015

We report the results of our operations using a basis where each 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. The fiscal three month period ended September 30, 2016 included an additional week as compared to the fiscal three month period ended September 25, 2015 due to the timing of the final Friday of the quarter in the current period as compared to prior year. The following tables set forth our unaudited consolidated results of operations, both in dollars and as a percentage of revenue, for the three months ended September 30, 2016 and September 25, 2015 .

	Three Months Ended			
(Amounts in thousands)	**September 30, 2016**		**September 25, 2015**	
Revenue	$ 503,434	100.0 %	$ 479,808	100.0 %
Cost of services	(445,090)	(88.4)	(427,529)	(89.1)
Selling, general and administrative expenses	(38,357)	(7.6)	(35,237)	(7.3)
Depreciation and amortization expense	(8,875)	(1.8)	(9,039)	(1.9)
Earnings from equity method investees	60	—	6	—
Impairment of goodwill, intangibles and long lived assets	(1,782)	(0.4)	(6,690)	(1.4)
Operating income	9,390	1.8	1,319	0.3
Interest expense	(20,230)	(4.0)	(17,201)	(3.6)
Interest income	117	—	19	—
Other income, net	216	0.1	73	—
Loss before income taxes	(10,507)	(2.1)	(15,790)	(3.3)
Benefit for income taxes	3,543	0.7	540	0.1
Net loss	(6,964)	(1.4)	(15,250)	(3.2)
Noncontrolling interests	(307)	(0.1)	(499)	(0.1)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (7,271)	(1.5)	$ (15,749)	(3.3)

Revenue — Revenue for the three months ended September 30, 2016 was $503.4 million , an increase of $23.6 million , or 4.9% , compared to $479.8 million for the three months ended September 25, 2015 . In addition to the three months ended September 30, 2016 including an additional week compared to the three months ended September 25, 2015 , the increase was primarily as a result of the Afghanistan Life Support Services ("ALiSS") contract and increased content from T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS"), partially offset by decreased volume on the INL Air Wing program and the continued drawdown of U.S. forces in Afghanistan which impacted the demand for services under our LOGCAP IV program. 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 three months ended September 30, 2016 was $445.1 million , an increase of $17.6 million , or 4.1% , compared to the three months ended September 25, 2015 . The increase in Cost of services was primarily driven by an increase in revenue, as discussed above. As a percentage of revenue, Cost of services improved to 88.4% for the three months ended September 30, 2016 compared to 89.1% for the three months ended September 25, 2015 . See further discussion of the impact of program margins in the "Results by Segment" section below.

Selling, general and administrative expenses ("SG&A") — SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing, and business development. SG&A increased by $3.1 million , or 8.9% , to $38.4 million during the three months ended September 30, 2016 primarily as a result of an increase in costs by our Global Advisory Group. SG&A as a percentage of revenue increased to 7.6% for the three months ended September 30, 2016 compared to 7.3% for the three months ended September 25, 2015 as a result of the increase in SG&A discussed above.

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 three months ended September 30, 2016 was $0.1 million primarily as a result of activity in our PaTH joint venture, as compared to no earnings for the three months ended September 25, 2015 . We expect our earnings from equity method investees to remain minimal throughout the remainder of the year unless additional task orders are received by our joint ventures. See Note 10 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Impairment of goodwill, intangibles and long lived assets — Impairment for the three months ended September 30, 2016 and September 25, 2015 was $1.8 million and $6.7 million , respectively. During the three months ended September 30, 2016 we recognized a non-cash impairment charge on our investment in GLS which had a loss in value that was other than temporary. During the three months ended September 25, 2015 , we recognized non-cash impairment charges on certain intangibles and assets held for sale.

Interest expense — Interest expense for the three months ended September 30, 2016 was $20.2 million , an increase of $3.0 million , or 17.6% , compared to the three months ended September 25, 2015 . The increase is primarily due to the PIK interest on our New Notes effective January 1, 2016 .

Other income, net — Other income, net consists primarily of our share of earnings from Babcock DynCorp Limited ("Babcock"), sublease income, gains/losses from foreign currency, asset sales and other items. Other income, net during the three months ended September 30, 2016 was $0.2 million , an increase of $0.1 million , which remained consistent compared to the three months ended September 25, 2015 .

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 three months ended September 30, 2016 was 33.7% , as compared to 3.4% for the three months ended September 25, 2015 , a change primarily driven by an increase to the forecasted full year loss before income taxes which impacted the projected year end valuation allowance.

Consolidated Nine Months Ended September 30, 2016 compared to the Nine Months Ended September 25, 2015

The following tables set forth our unaudited consolidated results of operations, both in dollars and as a percentage of revenue, for the nine months ended September 30, 2016 and September 25, 2015 :

	Nine Months Ended			
(Amounts in thousands)	September 30, 2016		September 25, 2015	
Revenue	$ 1,374,392	100.0 %	$ 1,437,000	100.0 %
Cost of services	(1,227,948)	(89.3)	(1,290,880)	(89.8)
Selling, general and administrative expenses	(109,405)	(8.0)	(107,920)	(7.5)
Depreciation and amortization expense	(26,078)	(1.9)	(25,587)	(1.8)
Earnings from equity method investees	761	0.1	131	—
Impairment of goodwill, intangibles and long lived assets	(1,782)	(0.1)	(93,485)	(6.5)
Operating income (loss)	9,940	0.8	(80,741)	(5.6)
Interest expense	(53,657)	(3.9)	(50,429)	(3.5)
Loss on early extinguishment of debt	(328)	—	—	—
Interest income	199	—	61	—
Other income, net	5,179	0.4	1,675	0.1
Loss before income taxes	(38,667)	(2.7)	(129,434)	(9.0)
(Provision) benefit for income taxes	(7,681)	(0.6)	10,025	0.7
Net loss	(46,348)	(3.3)	(119,409)	(8.3)
Noncontrolling interests	(803)	(0.1)	(1,227)	(0.1)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (47,151)	(3.4)	$ (120,636)	(8.4)

Revenue — Revenue for the nine months ended September 30, 2016 was $1,374.4 million , a decrease of $62.6 million , or 4.4% , compared to $1,437.0 million for the nine months ended September 25, 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. 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 nine months ended September 30, 2016 was $1,227.9 million , a decrease of $62.9 million , or 4.9% , compared to the nine months ended September 25, 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 89.3% for the nine months ended September 30, 2016 compared to 89.8% for the nine months ended September 25, 2015 . See further discussion of the impact of program margins in the "Results by Segment" section below.

Selling, general and administrative expenses ("SG&A") — SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing, and business development. SG&A increased by $1.5 million , or 1.4% , to $109.4 million during the nine months ended September 30, 2016 primarily as a result of an increase in costs by our Global Advisory Group. The costs of our Global Advisory Group also contributed to an increase in SG&A as a percentage of revenue, which increased to 8.0% for the nine months ended September 30, 2016 compared to 7.5% for the nine months ended September 25, 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 PaTH, CRS, GRS and GLS. Earnings from operationally integral unconsolidated affiliates for the nine months ended September 30, 2016 was $0.8 million primarily as a result of activity in our PaTH joint venture, as compared to $0.1 million for the nine months ended September 25, 2015 . We expect our earnings from equity method investees to remain minimal throughout the remainder of the year unless additional task orders are received by our joint ventures. See Note 10 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Impairment of goodwill, intangibles and long lived assets — Impairment for the nine months ended September 30, 2016 and September 25, 2015 was $1.8 million and $93.5 million , respectively. During the nine months ended September 30, 2016 we recognized a non-cash impairment charge on our investment in GLS which had a loss in value that was other than temporary. During the nine months ended September 25, 2015 , we recognized non-cash impairment charges on goodwill within the Aviation reporting unit, certain intangibles and assets held for sale.

Interest expense — Interest expense for the nine months ended September 30, 2016 was $53.7 million , an increase of $3.2 million , or 6.4% , compared to the nine months ended September 25, 2015 . The increase is primarily due to the PIK interest on our New Notes effective January 1, 2016 .

Other income, net — Other income, net consists primarily of our share of earnings from Babcock, sublease income, gains/losses from foreign currency, asset sales and other items. Other income, net during the nine months ended September 30, 2016 was $5.2 million , an increase of $3.5 million , or 209.2% , 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 discreet items. The effective tax rate for the nine months ended September 30, 2016 was (19.9)% , as compared to 7.7% for the nine months ended September 25, 2015 , a change primarily driven 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.

Results by Segment – Three Months Ended September 30, 2016 Compared to Three Months Ended September 25, 2015

We report the results of our operations using a basis where each 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. The fiscal three month period ended September 30, 2016 included an additional week as compared to the fiscal three month period ended September 25, 2015 due to the timing of the final Friday of the quarter in the current period as compared to prior year. 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 three months ended September 30, 2016 and September 25, 2015 . The following amounts agree to our segment disclosures. See Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

	Three Months Ended			
	September 30, 2016		September 25, 2015	
(Amounts in thousands)	Revenue	% of Total Revenue	Revenue	% of Total Revenue
DynAviation	$ 326,408	64.8%	$ 316,337	65.9 %
DynLogistics	177,328	35.2	163,187	34.0
Headquarters [(1)]	(302)	—	284	0.1
Consolidated revenue	$ 503,434	100.0	$ 479,808	100.0
	Operating Income (Loss)	Profit Margin	Operating (Loss) Income	(Loss) Profit Margin
DynAviation	$ 6,739	2.1%	$ (4,137)	(1.3)%
DynLogistics	23,920	13.5	16,800	10.3
Headquarters [(2)]	(21,269)		(11,344)	
Consolidated operating income	$ 9,390		$ 1,319	

(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 and Global Advisory Group costs, partially offset by equity method investee income.

DynAviation

Revenue of $326.4 million increased $10.1 million , or 3.2% , for the three months ended September 30, 2016 compared to the three months ended September 25, 2015 primarily as a result of increased content from T-6 COMBS and T-34/T-44/T-6 contracts. The increase in revenue was partially offset by decreased volume on the INL Air Wing program.

Operating income of $6.7 million for the three months ended September 30, 2016 as compared to operating loss of $4.1 million for the three months ended September 25, 2015 was primarily due to the restructuring of Heliworks, the improved performance and execution of an option year on our T-34/T-44/T-6 contract, offset by an additional contract loss charges on a U.S. Air Force contract. The operating loss of $4.1 million for the three months ended September 25, 2015 was primarily due to the costs associated with the exit of the FAA Part 135 commuter and on demand operations line of business at Heliworks and contract losses on certain U.S. Navy contracts.

DynLogistics

Revenue of $177.3 million increased $14.1 million , or 8.7% , for the three months ended September 30, 2016 compared to the three months ended September 25, 2015 primarily as a result the new ALiSS contract, the new contract from the U.S. Army Contracting Command to provide technical support services to the Iraqi Army in Taji and a favorable settlement on a legacy program. This increase was partially offset by reductions in manning, materials and other direct costs under the Afghan Area of Responsibility ("AOR") task order and completion of the Kuwait task orders under the LOGCAP IV program and the completion of certain other contracts. We expect our revenue for the DynLogistics segment to continue to hold in line with our third quarter revenue for the remainder of 2016 despite the decline in the efforts in Afghanistan and with the continued near term pressure on U.S. defense budgets.

Operating income of $23.9 million for the three months ended September 30, 2016 as compared to $16.8 million for the three months ended September 25, 2015 was primarily due to a favorable settlement on a legacy program partially offset by the decline in revenue in 2016. The operating income of $16.8 million for the three months ended September 25, 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 – Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 25, 2015

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 nine months ended September 30, 2016 and September 25, 2015 . The following amounts agree to our segment disclosures. See Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

	Nine Months Ended			
	September 30, 2016		September 25, 2015	
(Amounts in thousands)	Revenue	% of Total Revenue	Revenue	% of Total Revenue
DynAviation	$ 913,564	66.5 %	$ 950,749	66.2 %
DynLogistics	461,187	33.5	485,781	33.8
Headquarters [1]	(359)	—	470	—
Consolidated revenue	$ 1,374,392	100.0	$ 1,437,000	100.0
	Operating Income (Loss)	Profit Margin	Operating (Loss) Income	(Loss) Profit Margin
DynAviation	$ 17,206	1.9 %	$ (76,509)	(8.0)%
DynLogistics	49,798	10.8	27,807	5.7
Headquarters [2]	(57,064)		(32,039)	
Consolidated operating income (loss)	$ 9,940		$ (80,741)	

(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.

DynAviation

Revenue of $913.6 million decreased $37.2 million , or 3.9% , for the nine months ended September 30, 2016 compared to the nine months ended September 25, 2015 primarily as a result of lower content on the INL Air Wing and Multi Sensor Aerial Intelligence Surveillance and Reconnaissance Operations and Sustainment programs. The decrease in revenue was partially offset by increased content from T-6 COMBS, new business from the Saudi Arabian National Guard ("SANG") contract and increased content in our Middle East contracts.

Operating income of $17.2 million for the nine months ended September 30, 2016 as compared to operating loss of $76.5 million for the nine months ended September 25, 2015 was primarily a result of continued awards of incentive fees on a U.S. Navy contract, the addition of higher margin contract option years, and a multi-party settlement agreement that resolves underwriters litigation in which we will recoup $5.0 million of legal expenses partially offset by additional contract loss charges on a U.S. Air Force contract. The operating loss of $76.5 million for the nine months ended September 25, 2015 was primarily due to the goodwill impairment charge of $86.8 million associated with our Aviation reporting unit, the completion of contracts that historically commanded higher margins, costs associated with the exit of the FAA Part 135 commuter and on demand operations line of business at Heliworks and a contract loss accrual on a new U.S. Navy program.

DynLogistics

Revenue of $461.2 million decreased $24.6 million , or 5.1% , for the nine months ended September 30, 2016 compared to the nine months ended September 25, 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 revenue for the DynLogistics segment to continue to hold in line with our third quarter revenue for the remainder of 2016 despite the decline in the efforts in Afghanistan and with the continued near term pressure on U.S. defense budgets.

Operating income of $49.8 million for the nine months ended September 30, 2016 as compared to $27.8 million for the nine months ended September 25, 2015 was primarily due to a favorable settlement on a legacy program, productivity gains on certain fixed-price contracts, partially offset by the decline in revenue discussed above. Operating income of $27.8 million for the nine months ended September 25, 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.

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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q 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 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 described further in Note 7 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, 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 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. 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. We are working to address the upcoming maturity of the Senior Unsecured Notes to avoid the springing maturities of the New Term Loan and class B revolving facility, but there can be no assurances that we will be successful.

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. DSO decreased to 58 days as of September 30, 2016 from 73 days as of December 31, 2015 , 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

	Nine Months Ended	
(Amounts in thousands)	**September 30, 2016**	**September 25, 2015**
Net cash provided by (used in) operating activities	$ 24,677	$ (25,518)
Net cash used in investing activities	(19,848)	(944)
Net cash used in financing activities	(14,672)	(1,993)

Cash Flows

Cash provided by operating activities during the nine months ended September 30, 2016 was $24.7 million compared to cash used in operating activities of $25.5 million during the nine months ended September 25, 2015 . Cash provided by operating activities during the nine months ended September 30, 2016 was primarily due to our changes in working capital, driven by a reduction in accounts receivable attributable to our DSO of 58 days as well as an increase in accounts payable and accrued expenses. Cash used in operating activities during the nine months ended September 25, 2015 was primarily due to our net loss and changes in working capital, primarily driven by a reduction in accounts payable and accrued liabilities.

Cash used in investing activities during the nine months ended September 30, 2016 was $19.8 million compared to $0.9 million during the nine months ended September 25, 2015 . Cash used in investing activities during the nine months ended September 30, 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 nine months ended September 25, 2015 was primarily due purchases of capital assets and contributions to GLS partially offset by returns of capital from Babcock.

Cash used in financing activities during the nine months ended September 30, 2016 was $14.7 million compared to $2.0 million during the nine months ended September 25, 2015 . Cash used in financing activities during the nine months ended September 30, 2016 was primarily the result of the completion of the Refinancing Transactions. Cash used in financing activities during the nine months ended September 25, 2015 was primarily the result of payments related to financed insurance.

Financing

In connection with the merger of DynCorp International with Delta Tucker Sub, Inc., a wholly owned subsidiary of Holdings, on July 7, 2010 , substantially all of DynCorp International's debt outstanding as of April 2, 2010 was repaid and replaced with new debt described below.

On April 30, 2016 , we entered into the Amendment No. 5 to the Senior Credit Facility and entered into the New Senior Credit Facility. 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 or the class B revolving facility.

As of September 30, 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, 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 September 30, 2016 and December 31, 2015 , the available borrowing capacity under the New Senior Credit Facility and the Senior Credit Facility was approximately $49.5 million and $102.2 million , respectively, and included $36.3 million and $42.6 million , respectively, in issued letters of credit. As of September 30, 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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q 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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q 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 unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information related to the New Notes.

The weighted-average interest rate as of September 30, 2016 for our debt, excluding the Cerberus 3L Notes, was 10.4% , excluding the impact of deferred financing fees. There were no interest rate hedges in place during the three and nine months ended September 30, 2016 .

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 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 will also contain 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
September 30, 2016	7.50 to 1.0
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
September 30, 2016	1.15 to 1.0
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 September 30, 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.

Non-GAAP Measures

We define EBITDA as Generally Accepted Accounting Principles ("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, Adjusted EBITDA as presented in the table below corresponds 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 income 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.

The following table provides a reconciliation of net loss attributable to Delta Tucker Holdings, Inc. and EBITDA and Adjusted EBITDA for the periods included below:

Delta Tucker Holdings, Inc.
Unaudited Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
(Amounts in thousands)	September 30, 2016	September 25, 2015	September 30, 2016	September 25, 2015
Net loss attributable to Delta Tucker Holdings, Inc.	$ (7,271)	$ (15,749)	$ (47,151)	$ (120,636)
Provision (benefit) for income taxes	(3,543)	(540)	7,681	(10,025)
Interest expense, net of interest income	20,113	17,182	53,458	50,368
Depreciation and amortization (1)	9,122	9,479	26,799	27,626
EBITDA	18,421	10,372	40,787	(52,667)
Certain income/expense or gain/loss adjustments per our credit agreements (2)	(331)	13,202	8,080	114,452
Employee share based compensation, severance, relocation and retention expense (3)	339	2,575	1,000	6,237
Cerberus fees (4)	762	1,008	2,394	3,052
Global Advisory Group expenses (5)	7,499	—	17,256	—
Other (6)	(220)	(445)	(504)	(931)
Adjusted EBITDA	$ 26,470	$ 26,712	$ 69,013	$ 70,143

(1) Includes certain depreciation and amortization amounts which are classified as Cost of services in our unaudited condensed consolidated statements of operations.

(2) Includes the impairment of investment in affiliates in the third quarter of 2016, the impairment of certain intangibles and assets held for sale of $6.7 million in the third quarter of 2015, the impairment of goodwill within the Aviation reporting unit in the second quarter of 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 three and nine months ended September 30, 2016 , respectively, 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) 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

The Company did not have any material off-balance sheet arrangements subsequent to the filing of our consolidated financial statements in our Annual Report on Form 10-K as defined under SEC rules.

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 discussion of our critical accounting policies and estimates please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to the Delta Tucker Holdings, Inc. consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 . Any material changes to our accounting policies and estimates, from those described in our Annual Report on Form 10-K for the year ended December 31, 2015 are further discussed in Note 1 .

Accounting Developments

The information regarding recent accounting pronouncements is included in Note 1 .

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

There has been no significant change in our exposure to market risk during the three months ended September 30, 2016 , except as described below. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 .

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 September 30, 2016 , we had 68.1% of our debt at a fixed rate and 31.9% at a variable rate. Our 10.375% senior notes, which had an aggregate principal amount of $39.3 million and $455 million outstanding as of September 30, 2016 and December 31, 2015 , respectively, and our 11.875% senior secured second lien notes and Cerberus 3L notes, which had an aggregate principal amount of $373.4 million and $30 million , respectively, outstanding as of September 30, 2016 , represent our fixed rate debt.

Our New Term Loan and Amended Revolver represent our variable rate debt. As of September 30, 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 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 September 30, 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 September 30, 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% .

ITEM 4. ***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 Exchange 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 Exchange Act, as of the end of the period covered in this Quarterly Report on Form 10-Q. 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 to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. *OTHER INFORMATION.*

ITEM 1. *LEGAL PROCEEDINGS.*

Information related to various commitments and contingencies is described in Note 8 included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 1A. *RISK FACTORS.*

There have been no material changes in the risk factors from those described in "Risk Factors" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 , except as follows:

We may not be able to refinance or obtain proceeds of sales of equity or capital contributions to pay our $39.3 million principal amount of Senior Unsecured Notes by May 8, 2017 .

We agreed in 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. 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.

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 make principal payments of $22.5 million on the New Term Loan no later than June 15, 2017 , and $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 prepayments.

Our ability to make $22.5 million of principal payments no later than June 15, 2017 and 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 Term Loan 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 and the indenture governing the Senior Unsecured 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.

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

None.

ITEM 3. ***DEFAULTS UPON SENIOR SECURITIES.***

None.

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

Not applicable.

ITEM 5. ***OTHER INFORMATION.***

None.

ITEM 6. *EXHIBITS.*

The following exhibits are filed as part of, or incorporated by reference into, the Quarterly Report on Form 10-Q.

Exhibit No.	Description
4.1*	Supplemental Indenture No. 1, dated as of August 26, 2016, among DynCorp International, Highground Global, Inc., Culpeper National Security Solutions LLC and Wilmington Trust, National Association, as trustee, to the Indenture.
10.1*	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.
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 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.

Date: November 14, 2016	**DELTA TUCKER HOLDINGS, INC.**
	/s/ William T. Kansky
	William T. Kansky
	Senior Vice President and Chief Financial Officer

SUPPLEMENTAL INDENTURE NO. 1

SUPPLEMENTAL INDENTURE NO. 1 (this " Supplemental Indenture ") dated as of August 26, 2016, among DYNCORP INTERNATIONAL INC., a Delaware corporation (the " Company "), HIGHGROUND GLOBAL, INC., a Delaware corporation and an indirect subsidiary of the Company (" HighGround "), CULPEPER NATIONAL SECURITY SOLUTIONS LLC, a Delaware limited liability company and an indirect subsidiary of the Company (together with HighGround, the " New Guarantors "), and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee under the indenture referred to below (the " Trustee ").

W I T N E S S E T H :

WHEREAS the Company and the existing Guarantors have heretofore executed and delivered to the Trustee an Indenture (as amended, supplemented or otherwise modified, the " Indenture ") dated as of June 15, 2016, providing for the issuance of the Company's 11.875% Senior Secured Second Lien Notes due 2020 (the " Notes "), in the aggregate principal amount of $370,605,018;

WHEREAS Section 4.10 of the Indenture provides that under certain circumstances the Company is required to cause a new Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which such new Guarantor shall unconditionally guarantee all the Company's obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture to add new Guarantors, including to comply with Section 4.10 of the Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantors, the Company, and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Defined Terms . As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term " Holders " in this Guarantee shall refer to the term "Holders" as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such Holders. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.
2. Agreement to Guarantee . Each of the New Guarantors hereby agrees, jointly and severally with all existing Guarantors, to unconditionally guarantee the Company's Obligations under the Notes on the terms and subject to the conditions set forth in Article 10 of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Guarantor under the Indenture.
3. Ratification of Indenture; Supplemental Indentures Part of Indenture . Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.
4. Notices . All notices or other communications to the New Guarantors shall be given as provided in Section 12.02 of the Indenture.
5. Governing Law . **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

6. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the New Guarantors.

7. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart of a signature page to this Supplemental Indenture by telecopier, facsimile or other electronic transmission (i.e. a “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart thereof.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

HIGHGROUND GLOBAL, INC.

By: /s/ William T. Kansky

Name: William T. Kansky

Title: Senior Vice President and Chief Financial Officer

CULPEPER NATIONAL SECURITY SOLUTIONS LLC

By: /s/ William T. Kansky

Name: William T. Kansky

Title: Senior Vice President and Chief Financial Officer

DYNCORP INTERNATIONAL INC.

By: /s/ William T. Kansky

Name: William T. Kansky

Title: Senior Vice President and Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell

Title: Vice President

[Signature Page to Supplemental Indenture No. 1]

AMENDMENT No. 6 , dated as of August 22, 2016 (this " Amendment "), to the Credit Agreement dated as of July 7, 2010, among DYNCORP INTERNATIONAL INC., a Delaware corporation (the " Borrower "), Delta Tucker Holdings, Inc., a Delaware corporation (" Holdings "), the other Guarantors party thereto, the several banks and other financial institutions or entities from time to time parties to the Credit Agreement (the " Lenders "), BANK OF AMERICA, N.A., as Administrative Agent (the " Administrative Agent "), Collateral Agent, L/C Issuer and Swing Line Lender and the other parties thereto (as amended and restated as of June 15, 2016 pursuant to that certain Amendment No. 5 and Waiver to Credit Agreement dated as of April 30, 2016 and as further amended, restated, modified and supplemented from time to time, the " Credit Agreement "); capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Loan Parties desire to amend certain provisions of the Credit Agreement on the terms set forth herein; and

WHEREAS, Section 10.01 of the Credit Agreement provides that the relevant Loan Parties and the Required Lenders may amend certain provisions of the Credit Agreement and the other Loan Documents for certain purposes.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. **Amendment** .

(i) Section 6.01(a) of the Credit Agreement is hereby amended and restated as of the Amendment No. 6 Effective Date (as defined below) in its entirety as follows:

"(a) Deliver to the Administrative Agent for prompt further distribution to each Lender, as soon as available, but in any event within ninety (90) days after the end of each fiscal year, a consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, stockholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to (x) any "going concern" or like qualification or exception (except for (i) in the case of the fiscal year ended December 31, 2015, such qualifications or exceptions that relate solely to the maturity of the Term B-1 Loans and/or Class A Revolving Credit Commitments, as applicable, and (ii) in the case of the fiscal year ending December 31, 2016, such qualifications or exceptions that relate solely to the maturity of any outstanding Senior Notes and/or the Maturity Date of any outstanding Term B-2 Loans and/or the Class B

Revolving Credit Facility, as applicable) or (y) any qualification or exception as to the scope of such audit;"

(ii) The first paragraph immediately following Section 6.01(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Notwithstanding the foregoing, the obligations in paragraphs (a) and (b) of this Section 6.01 may be satisfied with respect to financial information of Holdings and the Restricted Subsidiaries by furnishing (A) the applicable financial statements of Holdings (or any direct or indirect parent of Holdings) or (B) Holdings' (or any direct or indirect parent thereof), as applicable, Form l0-K or 10-Q, as applicable, containing the information required to be contained therein if Holdings (or any direct or indirect parent thereof), as applicable, were required to file such forms with the SEC; *provided* that, with respect to clauses (A) and (B), (i) to the extent such information relates to a parent of Holdings, such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to Holdings (or such parent), on the one hand, and the information relating to Holdings and the Restricted Subsidiaries on a standalone basis, on the other hand and (ii) to the extent such information is in lieu of information required to be provided under Section 6.01(a), such materials are accompanied by a report and opinion of an independent registered public accounting firm of nationally recognized standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to (x) any "going concern" or like qualification or exception (except for (i) in the case of the fiscal year ended December 31, 2015, such qualifications or exceptions that relate solely to the maturity of the Term B-1 Loans and/or Class A Revolving Credit Commitments, as applicable, and (ii) in the case of the fiscal year ending December 31, 2016, such qualifications or exceptions that relate solely to the maturity of any outstanding Senior Notes and/or the Maturity Date of any outstanding Term B-2 Loans and/or the Class B Revolving Credit Facility, as applicable) or (y) any qualification or exception as to the scope of such audit.

Section 2. **Representations and Warranties, No Default** . After giving effect to the amendments contained herein, on the Amendment No. 6 Effective Date, the Loan Parties hereby confirm that: (a) this Amendment has been duly authorized, executed and delivered by each Loan Party and constitutes the legal, valid and binding obligations of such Loan Party enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies; (b) the representations and warranties set forth in Article V of the Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the Amendment No. 6 Effective Date with the same effect as though made on and as of the Amendment No. 6 Effective Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date) and except to the extent such representations and warranties are already qualified by materiality (in which case such representations and warranties shall be true and correct in all respects); and (c) no Default has occurred and is continuing under the Credit Agreement.

Section 3. **Effectiveness**. This Amendment shall become effective on the date that the following conditions have been satisfied (such date, the "Amendment No. 6 Effective Date"):

(i) Execution of this Amendment. The Administrative Agent shall have received executed counterparts of this Amendment from Lenders constituting the Required Lenders and each Loan Party;

(ii) Officer's Certificate. The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower dated the Amendment No. 6 Effective Date certifying (a) as to Section 2(b) of this Amendment and (b) that before and after giving effect to this Amendment, no Default shall have occurred and be continuing;

(iii) Fees. The Administrative Agent and the Term B-2 Lenders shall have received all expenses required to be paid or reimbursed under Section 10.04 of the Credit Agreement or Section 8 of this Amendment to the extent invoiced two (2) Business Days prior to the Amendment No. 6 Effective Date; and

(iv) Absence of Defaults. Before and after giving effect to this Amendment, no Default shall have occurred and be continuing.

Section 4. **Counterparts**. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or any other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 5. **Applicable Law**.

(a) **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

(b) **ANY LEGAL ACTION OR PROCEEDING ARISING UNDER THIS AMENDMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AMENDMENT, OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE**

UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY, AND BY EXECUTION AND DELIVERY OF THIS AMENDMENT, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH PARTY HERETO IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS* , WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AMENDMENT OR ANY OTHER DOCUMENT RELATED HERETO. EACH PARTY HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

Section 6. **Headings** . The headings of the several sections and subsections of this Amendment are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Amendment.

Section 7. **Effect of Amendment** . Except as expressly set forth herein, (i) this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders, the Administrative Agent or the Collateral Agent, in each case under the Credit Agreement or any other Loan Document, and (ii) shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of any other Loan Document. Each and every term, condition, obligation, covenant and agreement contained in the Credit Agreement or any other Loan Document is hereby ratified and re-affirmed in all respects and shall continue in full force and effect, subject to this Amendment from and after the Amendment No. 6 Effective Date. Each Loan Party reaffirms its obligations under the Loan Documents to which it is party and the validity of the Liens granted by it pursuant to the Collateral Documents. This Amendment shall constitute a Loan Document for purposes of the Credit Agreement and at, and from and after, the Amendment No. 6 Effective Date, as applicable, all references to the Credit Agreement in any Loan Document and all references in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, shall, unless expressly provided otherwise, refer to the Credit Agreement as amended by this Amendment. Each of the Loan Parties hereby consents to this Amendment and confirms that all obligations of such Loan Party under the Loan Documents to which such Loan Party is a party shall continue to apply to the Credit Agreement as amended hereby.

Section 8. **Expenses** . Whether or not the Amendment No. 6 Effective Date occurs, the Borrower agrees to pay or reimburse the Term B-2 Lenders for all reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Amendment to be entered into or to become effective on or prior to the Amendment No. 6 Effective Date and the consummation of the transactions contemplated thereby on the Amendment No. 6 Effective Date (including all Attorney Costs (as such term is defined in the Credit Agreement), which shall be limited to Stroock & Stroock & Lavan LLP).

Section 9. **<u>WAIVER OF RIGHT TO TRIAL BY JURY</u>**.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY TO THIS AMENDMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AMENDMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AMENDMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AMENDMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

DYNCORP INTERNATIONAL INC.

By: /s/ William T. Kansky
Name: William T. Kansky
Title: Senior Vice President and Chief Financial Officer

DELTA TUCKER HOLDINGS, INC.

By: /s/ William T. Kansky
Name: William T. Kansky
Title: Senior Vice President and Chief Financial Officer

DIV CAPITAL CORPORATION
DTS AVIATION SERVICES LLC
DYN MARINE SERVICES OF VIRGINIA LLC
DYNCORP AEROSPACE OPERATIONS LLC
DYNCORP INTERNATIONAL LLC
DYNCORP INTERNATIONAL SERVICES LLC
HELIWORKS LLC
PHOENIX CONSULTING GROUP, LLC
SERVICES INTERNATIONAL LLC
WORLDWIDE MANAGEMENT AND CONSULTING SERVICES LLC
WORLDWIDE RECRUITING AND STAFFING SERVICES LLC

By: /s/ William T. Kansky
Name: William T. Kansky
Title: Senior Vice President and Chief Financial Officer

CASALS & ASSOCIATES, INC.

By: /s/ William T. Kansky
Name: William T. Kansky
Title: Senior Vice President and Chief Financial Officer

BANK OF AMERICA, N.A.,
as Administrative Agent and Collateral Agent

By: /s/ Maurice Washington
Name: Maurice Washington
Title: Vice President

[ADDITIONAL LENDER SIGNATURES OMITTED]

[Signature Page to Amendment No. 6]

Exhibit 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lewis Von Thaer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

Date: November 14, 2016

/s/ Lewis Von Thaer

Lewis Von Thaer
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William T. Kansky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

Date: November 14, 2016

/s/ William T. Kansky

William T. Kansky
Senior Vice President and Chief Financial Officer

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 Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2016

/s/ Lewis Von Thaer

Lewis Von Thaer
Chief Executive Officer

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 Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2016

/s/ William T. Kansky

William T. Kansky
Senior Vice President and Chief Financial Officer