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 June 30, 2019

or

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

For the transition period from to

Commission File Number: 333-173746

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

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

1700 Old Meadow Road, McLean, Virginia 22102

(571) 722-0210

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A.	N/A.

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 August 14, 2019, the registrant had 100 shares of its 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 current or future levels 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, amend or generate sufficient cash to repay the Second Lien Notes and our Term Loan (as defined herein) under the 2016 Senior Credit Facility maturing on July 7, 2020 or to refinance, amend or repay our other indebtedness, including any future indebtedness, which may force us to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- the future impact of mergers, acquisitions, divestitures, joint ventures or teaming agreements;
- the outcome of any material litigation, government investigation, audit or other regulatory matters;
- restatement of our financial statements causing credit ratings to be downgraded or covenant violations under our debt agreements;
- policy and/or spending changes implemented by the Trump Administration, any subsequent administration or Congress, including any further changes to the sequestration that the United States ("U.S.") Department of Defense ("DoD") is currently operating under;
- termination or modification of key U.S. government or commercial contracts, including subcontracts;
- changes in the demand for services that we provide or work awarded under our contracts, including without limitation, the Logistics Civil Augmentation Program IV ("LOGCAP IV") contract and any impact from the result of the LOGCAP IV re-compete ("LOGCAP V");
- activities of competitors and the outcome of bid protests and related legal actions, including, without limitation, the legal challenge to awards for LOGCAP V filed by the Company;
- the outcome of future extensions on awarded contracts and the outcomes of re-competes on existing programs;
- 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;
- 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 or any penalty, liquidated damages or disincentive 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;
- impact of the tax reform legislation known colloquially as the Tax Cuts and Jobs Act (the "Tax Act") or other tax reform implemented by the Trump Administration, and any subsequent administration or Congress;
- changes in our tax provisions or exposure to additional income tax liabilities that could affect our profitability and cash flows;
- uncertainty created by changes in management or other restructuring activities;
- 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, including those described in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on March 19, 2019 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. Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified elsewhere in this report and in the Company's other SEC reports, which are accessible on the SEC's website at www.sec.gov and the Company's website at www.dyn-intl.com. Information on the Company's website is not part of this quarterly report on Form 10-Q. We assume no obligation to update the forward-looking statements.

PART I. ***FINANCIAL INFORMATION.***

ITEM 1. ***FINANCIAL STATEMENTS.***

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

	Three Months Ended		Six Months Ended	
(Amounts in thousands)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 487,823	$ 550,361	$ 968,608	$ 1,084,654
Cost of services	(428,927)	(476,598)	(848,394)	(942,021)
Selling, general and administrative expenses	(25,952)	(24,670)	(51,674)	(50,029)
Depreciation and amortization expense	(5,879)	(5,974)	(11,733)	(12,031)
Earnings from equity method investees	662	222	662	269
Operating income	27,727	43,341	57,469	80,842
Interest expense	(14,332)	(16,083)	(29,016)	(33,071)
Loss on early extinguishment of debt	(852)	—	(1,475)	(239)
Interest income	1,119	408	2,154	933
Other income, net	773	492	1,397	1,141
Income before income taxes	14,435	28,158	30,529	49,606
Provision for income taxes	(9,131)	(3,140)	(13,372)	(7,884)
Net income	5,304	25,018	17,157	41,722
Noncontrolling interests	(151)	(209)	(395)	(505)
Net income attributable to Delta Tucker Holdings, Inc.	$ 5,153	$ 24,809	$ 16,762	$ 41,217

See notes to unaudited condensed consolidated financial statements

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

(Amounts in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	$ 5,304	$ 25,018	$ 17,157	$ 41,722
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(12)	(29)	(62)	(28)
Other comprehensive loss, before tax	(12)	(29)	(62)	(28)
Income tax benefit related to items of other comprehensive loss	3	6	15	6
Other comprehensive loss	(9)	(23)	(47)	(22)
Comprehensive income	5,295	24,995	17,110	41,700
Comprehensive loss attributable to noncontrolling interests	(151)	(209)	(395)	(505)
Comprehensive income attributable to Delta Tucker Holdings, Inc.	$ 5,144	$ 24,786	$ 16,715	$ 41,195

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	
	June 30, 2019	**December 31, 2018**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 195,643	$ 203,797
Restricted cash	20,294	—
Accounts receivable, net of allowances of $3,335 and $2,784 respectively	106,521	163,901
Contract assets	186,564	172,137
Prepaid expenses and other current assets	63,823	44,013
Total current assets	572,845	583,848
Property and equipment, net	21,090	22,058
Right-of-use assets	23,279	—
Goodwill	42,093	42,093
Tradenames, net	28,536	28,536
Other intangibles, net	22,328	32,867
Long-term deferred taxes	844	724
Other assets, net	7,576	8,173
Total assets	$ 718,591	$ 718,299
LIABILITIES		
Current liabilities:		
Current portion of long-term debt, net	$ —	$ 17,073
Accounts payable	90,999	107,221
Accrued payroll and employee costs	85,394	95,806
Current portion of long-term lease liabilities	7,842	—
Contract liabilities	46,503	37,816
Accrued liabilities	70,891	59,650
Income taxes payable	24,645	21,820
Total current liabilities	326,274	339,386
Long-term debt, net	450,662	474,660
Long-term lease liabilities	26,924	—
Other long-term liabilities	4,235	10,553
Total liabilities	808,095	824,599
DEFICIT		
Common stock, $0.01 par value – 1,000 shares authorized and 100 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—
Additional paid-in capital	597,191	596,948
Accumulated deficit	(691,526)	(708,288)
Accumulated other comprehensive loss	(506)	(459)
Total deficit attributable to Delta Tucker Holdings, Inc.	(94,841)	(111,799)
Noncontrolling interests	5,337	5,499
Total deficit	(89,504)	(106,300)
Total liabilities and deficit	$ 718,591	$ 718,299

See notes to unaudited condensed consolidated financial statements

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

	Six Months Ended	
(Amounts in thousands)	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Net income	$ 17,157	$ 41,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,582	13,721
Loss on early extinguishment of debt	1,475	239
Amortization of deferred loan costs and original issue discount	1,513	2,665
Allowance on accounts receivable and other noncash gains or losses	520	(1,441)
Revenue recognized on advanced payment	(22,125)	—
Earnings from equity method investees	(662)	(269)
Distributions from equity method investees	663	—
Deferred income taxes	(120)	(440)
Operating lease expense	5,838	—
Other, including paid in kind interest	3,001	3,092
Changes in assets and liabilities:		
Accounts receivable and contract assets	51,987	33,967
Prepaid expenses and other current assets	(16,143)	14,794
Accounts payable, accrued liabilities, lease liabilities and contract liabilities	1,193	2,384
Income taxes payable	2,771	(4,672)
Net cash provided by operating activities	60,650	105,762
Cash flows from investing activities		
Purchase of property and equipment	(1,586)	(6,160)
Proceeds from sale of property and equipment	402	13
Purchase of software	(153)	(41)
Return of capital from equity method investees	2,325	6,595
Contributions to equity method investees	(1,530)	(200)
Net cash (used in) provided by investing activities	(542)	207
Cash flows from financing activities		
Payments on senior secured credit facility	(47,797)	(54,943)
Equity contribution from affiliates of Cerberus	200	200
Payment of dividends to noncontrolling interests	(371)	(623)
Net cash used in financing activities	(47,968)	(55,366)
Net increase in cash, cash equivalents and restricted cash	12,140	50,603
Cash, cash equivalents and restricted cash, beginning of period	203,797	168,250
Cash, cash equivalents and restricted cash, end of period	$ 215,937	$ 218,853
Income taxes paid, net of receipts	$ 10,711	$ 13,072
Interest paid	$ 23,618	$ 26,375

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, 2017	**—**	**$ —**	**$ 596,393**	**$ (791,445)**	**$ (404)**	**$ (195,456)**	**$ 5,529**	**$ (189,927)**
Adjustment due to adoption of ASC 606	—	—	—	(1,340)	—	(1,340)	—	(1,340)
Share based compensation, net	—	—	56	—	—	56	—	56
Comprehensive income attributable to Delta Tucker Holdings, Inc.	—	—	—	16,408	1	16,409	296	16,705
Capital contribution	—	—	100	—	—	100	—	100
DIFZ financing, net of tax	—	—	24	—	—	24	—	24
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(343)	(343)
Balance at March 31, 2018	**—**	**$ —**	**$ 596,573**	**$ (776,377)**	**$ (403)**	**$ (180,207)**	**$ 5,482**	**$ (174,725)**
Share based compensation, net	—	—	(2)	—	—	(2)	—	(2)
Comprehensive income attributable to Delta Tucker Holdings, Inc.	—	—	—	24,809	(23)	24,786	209	24,995
Capital contribution	—	—	100	—	—	100	—	100
DIFZ financing, net of tax	—	—	23	—	—	23	—	23
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(296)	(296)
Balance at June 30, 2018	**—**	**$ —**	**$ 596,694**	**$ (751,568)**	**$ (426)**	**$ (155,300)**	**$ 5,395**	**$ (149,905)**

(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, 2018	**—**	**$ —**	**$ 596,948**	**$ (708,288)**	**$ (459)**	**$ (111,799)**	**$ 5,499**	**$ (106,300)**
Share based compensation, net	—	—	(2)	—	—	(2)	—	(2)
Comprehensive income attributable to Delta Tucker Holdings, Inc.	—	—	—	11,609	(38)	11,571	244	11,815
Capital contribution	—	—	100	—	—	100	—	100
DIFZ financing, net of tax	—	—	20	—	—	20	—	20
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(313)	(313)
Balance at March 31, 2019	**—**	**$ —**	**$ 597,066**	**$ (696,679)**	**$ (497)**	**$ (100,110)**	**$ 5,430**	**$ (94,680)**
Comprehensive income attributable to Delta Tucker Holdings, Inc.	—	—	—	5,153	(9)	5,144	151	5,295
Capital contribution	—	—	100	—	—	100	—	100
DIFZ financing, net of tax	—	—	25	—	—	25	—	25
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(244)	(244)
Balance at June 30, 2019	**—**	**$ —**	**$ 597,191**	**$ (691,526)**	**$ (506)**	**$ (94,841)**	**$ 5,337**	**$ (89,504)**

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

Calendar Year

Included in this Quarterly Report are our unaudited condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2019 and June 30, 2018, the related statements of deficit for the six months ended June 30, 2019 and June 30, 2018, the related statements of cash flows for the six months ended June 30, 2019 and June 30, 2018 and the unaudited condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018.

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 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. 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, 2018.

In the opinion of management, normal recurring adjustments necessary to fairly present our financial position as of June 30, 2019 and December 31, 2018, the results of operations and statements of comprehensive income for the three and six months ended June 30, 2019 and June 30, 2018, the statements of deficit for the three and six months ended June 30, 2019 and June 30, 2018, and the statements of cash flows for the six months ended June 30, 2019 and June 30, 2018 have been included. The results of operations and statements of comprehensive income for the three and six months ended June 30, 2019 and June 30, 2018, the statements of deficit for the three and six months ended June 30, 2019 and June 30, 2018, and the statements of cash flows for the six months ended June 30, 2019 and June 30, 2018 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. 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.

Use of Estimates

General - We are predominantly a services provider and only include products or systems when necessary for the execution of the service arrangement. As such, systems, equipment or materials are not generally separable from the services we provide. Revenue is recognized for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability is probable. Our contracts are primarily with U.S. government customers and are generally structured under the following contract types: (i) fixed-price; (ii) time-and-materials; and (iii) cost-reimbursement contracts. In a fixed-price contract, the price is generally not subject to adjustment based on costs incurred and may include firm fixed-price, fixed-price with economic adjustment, and fixed-price incentive elements. Time-and-materials 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 contracts provide for payment for allowable incurred costs, to the extent prescribed in the contract, plus a fixed-fee, award-fee, incentive-fee or a combination thereof.

Our contracts contain promises to provide distinct goods or services to the customer which represent performance obligations and is the unit of account under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). To determine the proper revenue recognition method, consideration is given as to whether a single contract should be accounted for as more

than one performance obligation or whether two or more contracts should be combined and accounted for as one single performance obligation. For most of our contracts, the customer contracts with us to provide a significant service of integrating a complex set of tasks and deliverables into a single service solution. Hence, the entire contract is accounted for as one performance obligation. Less commonly, however, we may promise to provide distinct goods or services within a contract in which case we separate the contract into more than one performance obligation.

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

The preparation of the financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period that they are determined. Changes in 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. Changes in contract estimates related to past performance are recognized in the period in which such changes are made for the inception to date effect of the changes. There were no material changes in contract estimates related to past performance during the three or six months ended June 30, 2019 and June 30, 2018. See Note 6 for further discussion.

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, 2018, except as described below.

Restricted Cash

Restricted cash includes certain amounts of cash which were deposited as cash collateral in connection with our issued letters of credit. Upon the maturity of the Revolver on July 7, 2019, the letters of credit previously issued under the credit agreement governing the 2016 Senior Credit Facility have continued to remain outstanding and are cash collateralized for the benefit of the letter of credit issuer.

Our statement of cash flows explains the change in the total of cash, cash equivalents, and restricted cash. The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of such amounts in the consolidated statements of cash flows:

	Six Months Ended	
(Amounts in thousands)	June 30, 2019	June 30, 2018
Beginning of period		
Cash and cash equivalents	$ 203,797	$ 168,250
Restricted cash	—	—
Total cash, cash equivalents and restricted cash, beginning of period	203,797	168,250
End of period		
Cash and cash equivalents	195,643	218,853
Restricted cash	20,294	—
Total cash, cash equivalents and restricted cash, end of period	215,937	218,853
Net increase in cash, cash equivalents and restricted cash	$ 12,140	$ 50,603

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* ("ASC 842"), which supersedes the lease recognition requirements in ASC Topic 840, *Leases* ("ASC 840") and requires an entity to recognize right-

of-use assets and lease liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosure. The Company adopted ASC 842 as of January 1, 2019 using the modified retrospective approach and, accordingly, periods prior to the adoption date of January 1, 2019 have not been recast for comparative purposes. The Company applied the provisions of ASC 842 to leasing arrangements existing at or entered into after the earliest comparative period presented in the financial statements. The adoption of ASC 842 resulted in the recognition of approximately $26.3 million of right of use assets, approximately $37.8 million of lease liabilities and no impact to retained deficit as of January 1, 2019. The difference between the right of use assets and lease liabilities recognized as of January 1, 2019, was primarily due to the treatment of prepaid rent, accrued rent and tenant improvement allowances associated with our operating leases. See Note 9 for the required disclosures related to the impact of adopting this standard.

In February 2018, the FASB issued ASU No. 2018-02, *Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* to help businesses and other organizations present some effects from the Tax Act's reduction in the corporate tax rate in their income statements. ASU 2018-02 gives the option of reclassifying what are called the "stranded" tax effects within accumulated other comprehensive income (loss) to retained earnings (deficit) during each fiscal year or quarter in which the effect of the lower tax rate is recorded. ASU 2018-02 instructs businesses and other organizations to provide a disclosure in their financial statement footnotes that describes the accounting policy they used to release the income tax effects from accumulated other comprehensive income (loss), whether they are reclassifying the stranded income tax effects from the Tax Act, and information about the other effects on taxes from the reclassification. The update is effective for fiscal years beginning after December 15, 2018, and the interim periods in those years, and early adoption is permitted. The Company adopted ASU 2018-02 during the first quarter of calendar year 2019. The adoption of this guidance did not have a material impact on our consolidated financial statements or disclosures.

In August 2018, the SEC issued *SEC Final Rule Release No. 33-10532, Disclosure Update and Simplification*, which amends certain of its disclosure requirements and is intended to facilitate the disclosure of information to investors and simplify compliance without significantly altering the total mix of information provided to investors. The final rule includes a requirement to provide an analysis of changes in stockholders' deficit for the current and comparative year-to-date interim periods in interim reports. The final rule is effective for all filings submitted on or after November 5, 2018. The Company adopted the guidance on the presentation of changes in the statements of deficit during the first quarter of calendar year 2019.

Recently Issued Accounting Developments

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. In November 2018, April 2019 and May 2019, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses,* ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, *Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* and ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief* , respectively, which provided additional implementation guidance on ASU No. 2016-13. We are currently evaluating the potential effects of the adoption of the new standard on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,* which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. This guidance is effective for public companies in fiscal years beginning after December 15, 2019 with early adoption permitted. We are currently evaluating the potential effects of the adoption of ASU 2018-13 on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* to provide guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. The ASU aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of such arrangements that are service contracts and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. We are currently evaluating the potential effects of the adoption of ASU 2018-15 on our consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer. In addition, ASU 2018-18 precludes an entity from

presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. ASU 2018-18 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted. We are currently evaluating the potential effects of the adoption of ASU 2018-18 on our consolidated financial statements.

Other accounting standards updates effective after June 30, 2019 are not expected to have a material effect on our consolidated financial position or results of operations and cash flows for the period ended June 30, 2019.

Note 2 — Revenue Recognition

In May 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers,* which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. We adopted ASC 606, as of January 1, 2018 using the modified retrospective approach with the cumulative effect of adoption recorded as an adjustment to the opening balance of equity as of that date without restatement of comparative periods.

Nature of Goods and Services

The Company generally derives revenue from long-term, service-based contracts and programs for commercial, government, and military customers. Our contracts typically fall into the following two categories with the first representing substantially all of our revenue: (i) U.S. federal government contracts and (ii) other contracts.

U.S. Federal Government Contracts - Contracts with the U.S. federal government, primarily with the U.S. Department of Defense ("DoD") and the U.S. Department of State ("DoS"), contemplate the provision of services related to aviation solutions, construction management, base and logistics operations, intelligence training, and operations and linguistics support. Certain contracts are structured using an IDIQ vehicle and are awarded to multiple contractors. When a customer wishes to order services under an IDIQ contract, the customer issues a task order request for proposal to the contract awardees and task orders are awarded under a best-value approach. However, many IDIQ vehicles permit the customer to direct work to a particular contractor. The task orders awarded may be fixed-priced, time-and-materials, or cost-reimbursement contracts.

The Company generally performs a contract over a base period with multiple option periods. The U.S. government is not obligated to exercise options under a contract after the base period. At the time of completion of the contract term of a U.S. government contract, the contract may be re-competed to the extent the service is still required. Historically, the Company has received additional revenue through increases in program scope beyond that of the original contract and "over and above" requests derived from changes in customer requests. For most of our contracts, we provide a significant service of integrating equipment, materials, and services into a single project which is accounted for as one performance obligation. In certain instances, we also provide a stand-ready service in the case where the Company responds to the customer's needs on the basis of its demand.

Typical payment terms for U.S. federal government contracts are in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. In most instances, the customer generally pays the Company for actual costs incurred within a short period of time. In certain cases, the Company receives interim payments as work progresses or receives an advance payment. The Company recognizes a liability for advance payments in excess of revenue recognized, which is included in contract liabilities on the balance sheet. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract.

Other Contracts - Contracts with non-federal government customers are predominantly service arrangements, which may involve various combinations related to the provision of services, delivery of equipment and materials, granting of licenses and other rights, or take certain actions. For most of our contracts, we provide a significant service of integrating equipment, materials, or other services into a single project which is accounted for as one performance obligation. In certain instances, we also provide a stand-ready service whereby the Company responds to the customer's needs on the basis of its demand.

As it relates to disclosing the remaining performance obligations, the Company is electing the practical expedient on not disclosing remaining performance obligations as most of the Company's performance obligations have an original expected duration of one year or less. The remaining aggregate performance obligations as of June 30, 2019 was $257.3 million. We expect to recognize approximately 74% and 100% of our June 30, 2019 backlog as revenue over the next 12 and 24 months, respectively. In addition, during the second quarter of calendar years 2019 and 2018, we received advance payments from one of these contracts of $25.4 million and $45.1 million, respectively, which is included in Contract liabilities, net of revenue recognized through June 30, 2019.

Disaggregation of Revenue

The following tables represent revenues disaggregated by customer-type and contract-type and include a reconciliation of the disaggregated revenue with reportable segments for the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended June 30, 2019			
(Amounts in thousands)	**DynAviation**	**DynLogistics**	**Headquarters / Other**	**Total**
Customer				
DOD	$ 220,417	$ 202,264	$ —	$ 422,681
DOS	—	39,168	—	39,168
Other	13,837	12,141	(4)	25,974
Total revenue	$ 234,254	$ 253,573	$ (4)	$ 487,823
Contract Type				
Fixed-Price	$ 109,313	$ 76,918	$ (1)	$ 186,230
Time-and-Materials	26,660	1,136	(1)	27,795
Cost-Reimbursement	98,281	175,519	(2)	273,798
Total revenue	$ 234,254	$ 253,573	$ (4)	$ 487,823

	Three months ended June 30, 2018			
(Amounts in thousands)	**DynAviation**	**DynLogistics**	**Headquarters / Other**	**Total**
Customer				
DOD	$ 242,439	$ 215,635	$ —	$ 458,074
DOS	41,703	33,209	—	74,912
Other	13,312	2,402	1,661	17,375
Total revenue	$ 297,454	$ 251,246	$ 1,661	$ 550,361
Contract Type				
Fixed-Price	$ 120,434	$ 73,826	$ 588	$ 194,848
Time-and-Materials	21,747	1,363	70	23,180
Cost-Reimbursement	155,273	176,057	1,003	332,333
Total revenue	$ 297,454	$ 251,246	$ 1,661	$ 550,361

(Amounts in thousands)	Six months ended June 30, 2019			
	DynAviation	DynLogistics	Headquarters / Other	Total
Customer				
DOD	$ 435,767	$ 412,084	$ —	$ 847,851
DOS	359	74,036	—	74,395
Other	22,499	23,972	(109)	46,362
Total revenue	$ 458,625	$ 510,092	$ (109)	$ 968,608
Contract Type				
Fixed-Price	$ 212,782	$ 161,914	$ (42)	$ 374,654
Time-and-Materials	47,293	2,986	(6)	50,273
Cost-Reimbursement	198,550	345,192	(61)	543,681
Total revenue	$ 458,625	$ 510,092	$ (109)	$ 968,608

(Amounts in thousands)	Six months ended June 30, 2018			
	DynAviation	DynLogistics	Headquarters / Other	Total
Customer				
DOD	$ 484,414	$ 399,284	$ —	$ 883,698
DOS	100,198	65,123	—	165,321
Other	30,074	4,363	1,198	35,635
Total revenue	$ 614,686	$ 468,770	$ 1,198	$ 1,084,654
Contract Type				
Fixed-Price	$ 263,930	$ 144,087	$ 451	$ 408,468
Time-and-Materials	43,386	2,519	51	45,956
Cost-Reimbursement	307,370	322,164	696	630,230
Total revenue	$ 614,686	$ 468,770	$ 1,198	$ 1,084,654

Note 3 — Composition of Certain Financial Statement Captions

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

Prepaid expenses and other current assets

(Amounts in thousands)	As Of	
	June 30, 2019	December 31, 2018
Prepaid expenses	$ 52,927	$ 40,446
Inventories, net	2,472	1,051
Joint venture receivables	44	31
Other current assets	8,380	2,485
Total prepaid expenses and other current assets	$ 63,823	$ 44,013

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets. The change in prepaid expenses is primarily due to the timing of insurance payments. Inventory is valued at the lower of cost or net realizable value. The change in other current assets is primarily due to a tenant improvement allowance receivable.

Property and equipment, net

	As Of	
(Amounts in thousands)	June 30, 2019	December 31, 2018
Aircraft	$ 4,228	$ 4,126
Computers and related equipment	10,647	9,952
Leasehold improvements	17,363	16,982
Office furniture and fixtures	3,463	3,375
Vehicles	14,642	14,700
Gross property and equipment	50,343	49,135
Less accumulated depreciation	(29,253)	(27,077)
Total property and equipment, net	$ 21,090	$ 22,058

As of June 30, 2019 and December 31, 2018, Property and equipment, net, included the accrual for property additions of $0.6 million and $0.2 million, respectively. Depreciation expense, including certain depreciation amounts classified as Cost of services, was $1.4 million and $2.9 million during the three and six months ended June 30, 2019, respectively. Depreciation expense, including certain depreciation amounts classified as Cost of services, was $1.5 million and $3.2 million during the three and six months ended June 30, 2018, respectively.

Other assets, net

	As Of	
(Amounts in thousands)	June 30, 2019	December 31, 2018
Investment in affiliates	$ 554	$ 1,349
Palm promissory note, long-term portion	1,428	1,568
Other	5,594	5,256
Total other assets, net	$ 7,576	$ 8,173

Accrued payroll and employee costs

	As Of	
(Amounts in thousands)	June 30, 2019	December 31, 2018
Wages, compensation and other benefits	$ 64,803	$ 79,349
Accrued vacation	18,944	15,302
Accrued contributions to employee benefit plans	1,647	1,155
Total accrued payroll and employee costs	$ 85,394	$ 95,806

Accrued liabilities

	As Of	
(Amounts in thousands)	June 30, 2019	December 31, 2018
Customer liabilities	$ 12,600	$ 9,435
Accrued insurance	12,822	11,424
Accrued interest	23,492	23,471
Unrecognized tax position	3,293	—
Contract losses	4,286	1,608
Legal reserves	5,220	4,743
Other	9,178	8,969
Total accrued liabilities	$ 70,891	$ 59,650

Customer liabilities represent amounts due back to a customer. 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. See Note 10 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 June 30, 2019 and December 31, 2018, Other long-term liabilities were $4.2 million and $10.6 million, respectively. Other long-term liabilities are primarily due to our long-term incentive bonus plan and nonqualified unfunded deferred compensation plan of $2.5 million and $3.0 million as of June 30, 2019 and December 31, 2018, respectively. Other long-term liabilities included an uncertain tax position of $3.5 million as of December 31, 2018 that is presented as a current liability within Accrued liabilities as of June 30, 2019. See Note 5 for further discussion.

Note 4 — Goodwill and Other Intangible Assets

We have two operating and reporting segments which provide services domestically and in foreign countries primarily under contracts with the U.S. government: DynAviation and DynLogistics. Each operating and reportable segment is its own reporting unit and only the DynLogistics reporting unit had a goodwill balance as of June 30, 2019, which we assess for potential goodwill impairment. The carrying amount of goodwill for DynLogistics was $42.1 million as of both June 30, 2019 and December 31, 2018.

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 goodwill impairment test 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 2019, a triggering event could be identified and a goodwill impairment test 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.

During the six months ended June 30, 2019, we did not have a triggering event in any of our reporting units. During the three months ended June 30, 2019, we were notified that we were not an awardee on the upcoming LOGCAP V contract vehicle within the DynLogistics reporting unit and segment. The reporting unit, which has total goodwill of $42.1 million, considered projected revenue and gross margin estimates related to the renewal of this contract, known cash flows from awarded contracts and the cushion between the fair value and carrying value of the reporting unit as of December 31, 2018. Based on the factors above, our goodwill was not impaired as of June 30, 2019.

Amortization expense for customer-related intangibles, other intangibles and finite-lived tradenames was $5.3 million and $10.7 million for the three and six months ended June 30, 2019, respectively. Amortization expense for customer-related intangibles, other intangibles and finite-lived tradenames was $5.4 million and $10.6 million for the three and six months ended June 30, 2018, respectively. Other intangibles are primarily representative of our capitalized software which had a net carrying value of $1.2 million and $1.5 million as of June 30, 2019 and December 31, 2018, respectively.

Estimated aggregate future amortization expense for finite lived assets subject to amortization are $10.8 million for the six months ending December 31, 2019, $11.3 million in 2020, $0.3 million in 2021 and $0.0 million in 2022, 2023 and thereafter.

Note 5 — Income Taxes

In 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("Tax Act") which amends the Internal Revenue Code ("IRC") to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Tax Act creates limitations on interest expense deductions (if certain conditions apply) and reduces the corporate federal tax rate from a maximum of 35% to a flat 21% rate. The Company is required to value its deferred tax assets and liabilities applying the rates prescribed by the enacted law for the period in which such deferred tax assets and liabilities are expected to reverse.

Our effective tax rate ("ETR") was 63.2% and 43.8% for the three and six months ended June 30, 2019, respectively. Our ETR was 11.1% and 15.9% for the three and six months ended June 30, 2018, respectively. For the three and six months ended June 30, 2019, the ETR was primarily driven by increased income taxes in foreign jurisdictions and an increase to the valuation allowance as a result of additional deferred tax assets related to foreign tax credits.

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. The Company must also assess whether its valuation allowance analyses are affected by the Tax Act. The following items impacted the valuation allowance due to the enacted Tax Act:

- A reduction in deductible interest expense for federal income tax purposes which will create an indefinite lived deferred tax asset;
- The prevention of deferring revenue with respect to unbilled receivables; and
- The recognition of revenue it had previously deferred as unbilled receivables over a four-year period pursuant to IRC Section 481.

While we anticipate that the Tax Act will result in the Company enhancing its ability to recognize existing deferred tax assets in the future, the Company also anticipates that the Tax Act will create new deferred tax assets that will be subject to future valuation allowance. As such, the Company will remain in a valuation allowance on most domestic deferred tax assets for the period ended June 30, 2019 but will assess the need for valuation allowance each period. As of June 30, 2019 and December 31, 2018, our valuation allowance was $63.0 million and $58.0 million, respectively.

As of June 30, 2019 and December 31, 2018, we had $4.2 million of total unrecognized tax benefits of which $2.7 million would impact our effective tax rate if recognized. We expect the unrecognized tax benefit and any related interest or penalties to be settled within the next twelve months.

During the six months ended June 30, 2019, we made no estimated federal income tax payments and $2.2 million of estimated state tax payments. Additionally, during the second quarter of 2019 we made $2.0 million of payments to foreign tax jurisdictions.

During the year ended December 31, 2018, a tax assessment from the Saudi Arabia Tax Authority ("GAZT") was received, seeking approximately $7.7 million in taxes and penalties specific to an existing audit of a branch location for periods between 2002 and 2013. We filed an initial appeal on the assessment with the GAZT and we previously established an accrual for the more likely than not amount of the estimated tax liability. We will continue to monitor and revise the liability accordingly.

Note 6 — Contract Balances

Our contract balances consist of accounts receivable, contract assets and contract liabilities.

Contract assets primarily consist of unbilled receivables which represent rights to consideration for work completed but not billed as of the reporting date. 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. Contract assets as of June 30, 2019 and December 31, 2018 include $41.2 million and $25.9 million, respectively, related to costs incurred on projects for which we are awaiting final funding, definitization or other contract actions in order for us to bill our customer. As of June 30, 2019 and December 31, 2018, we had one contract claim outstanding totaling $2.8 million, net of reserves. We do not believe we have significant exposure to credit risk as our receivables are primarily with the U.S. government.

Contract liabilities represent advanced payments, billings in excess of costs and earnings, and deferred revenue amounts. These current and noncurrent contract liabilities are transferred to contract assets once the performance progress has occurred. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Our contract balances consisted of the following:

(Amounts in thousands)	June 30, 2019	December 31, 2018	$ Change
Accounts receivable, net of allowances	$ 106,521	$ 163,901	$ (57,380)
Contract assets	186,564	172,137	14,427
Contract liabilities	46,503	37,816	8,687

During the six months ended June 30, 2019:

- we increased Contract assets by $0.9 billion due to the recognition of revenue in calendar year 2019, which included adjustments for changes in estimates arising from a change in the measure of progress, a change in an estimate of the transaction price or contract modifications;
- we reclassified $0.9 billion of Contract assets to Accounts receivable when the right to consideration became unconditional;
- we recognized revenue of $27.0 million related to our Contract liabilities as of December 31, 2018;
- we received an advance payment of $25.4 million which is included in Contract liabilities, net of revenue recognized through June 30, 2019.

During the six months ended June 30, 2018:

- we increased Contract assets by $1.1 billion due to the recognition of revenue in calendar year 2018, which included adjustments for changes in estimates arising from a change in the measure of progress, a change in an estimate of the transaction price or contract modifications;
- we reclassified $1.1 billion of Contract assets to Accounts receivable when the right to consideration became unconditional;
- we recognized revenue of $3.4 million related to our Contract liabilities as of January 1, 2018;
- we received an advance payment of $45.1 million which is included in Contract liabilities, net of revenue recognized through June 30, 2018.

Our allowance for doubtful accounts was $3.3 million as of June 30, 2019 compared to $2.8 million as of December 31, 2018, an increase primarily due to an additional reserve on a DynAviation contract.

Note 7 — 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, contract assets, accounts payable, contract liabilities and borrowings. Because of the short-term nature of cash and cash equivalents, accounts receivable, contract assets, accounts payable and contract liabilities, the fair value of these instruments approximates the carrying value.

Our estimate of the fair value of our 11.875% senior secured second lien notes (the "Second Lien Notes"), and 2016 Senior Credit Facility (as defined in Note 8) 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 8) 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 of June 30, 2019 has been calculated by discounting the expected cash flows using a discount rate of 7.9%. This discount rate is determined using the Moody's credit rating for the Second Lien Notes and reducing the rating one level lower for the Cerberus 3L Notes as they are subordinated to the Second Lien Notes.

	As Of			
	June 30, 2019		December 31, 2018	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
11.875% senior secured second lien notes	$ 387,598	$ 393,897	$ 384,713	$ 398,178
Term loan	29,546	29,250	77,343	76,569
Cerberus 3L notes	34,957	28,659	34,104	24,352
Total indebtedness	452,101	451,806	496,160	499,099
Less current portion of long-term debt	—	—	(17,797)	(17,619)
Total long-term debt	$ 452,101	$ 451,806	$ 478,363	$ 481,480

Note 8 — Debt

Debt consisted of the following:

	As of June 30, 2019			
(Amounts in thousands)	Carrying Amount	Original Issue Discount on Term Loan	Deferred Financing Costs, Net	Carrying Amount less Original Issue Discount on Term Loan and Deferred Financing Costs, Net
11.875% senior secured second lien notes	$ 387,598	$ —	$ (574)	$ 387,024
Term loan	29,546	(693)	(113)	28,740
Cerberus 3L notes	34,957	—	(59)	34,898
Total indebtedness	452,101	(693)	(746)	450,662
Less current portion of long-term debt, net [(1)]	—	—	—	—
Total long-term debt, net	$ 452,101	$ (693)	$ (746)	$ 450,662

(1) The carrying amount of the current portion of long-term debt as of June 30, 2019 includes the Revolver (as defined below). As of June 30, 2019, there were no amounts borrowed under the Revolver.

	As of December 31, 2018			
(Amounts in thousands)	Carrying Amount	Original Issue Discount on Term Loan	Deferred Financing Costs, Net	Carrying Amount less Original Issue Discount on Term Loan and Deferred Financing Costs, Net
11.875% senior secured second lien notes	$ 384,713	$ —	$ (774)	$ 383,939
Term loan	77,343	(2,704)	(886)	73,753
Cerberus 3L notes	34,104	—	(63)	34,041
Total indebtedness	496,160	(2,704)	(1,723)	491,733
Less current portion of long-term debt, net [(2)]	(17,797)	622	102	(17,073)
Total long-term debt, net	$ 478,363	$ (2,082)	$ (1,621)	$ 474,660

(2) The carrying amount of the current portion of long-term debt as of December 31, 2018 includes the Revolver. As of December 31, 2018, there were no amounts borrowed under the Revolver. The carrying amount of the current portion of long-term debt as of December 31, 2018 includes our Excess Cash Flow (as defined in Amendment No. 5 (as defined below)) payment of $17.8 million, which was paid on March 19, 2019.

The original issue discount on the Term Loan facility under the 2016 Senior Credit Facility (the "Term Loan") and deferred financing costs are amortized through interest expense. Amortization related to the original issue discount was $0.3 million and $0.7 million during the three and six months ended June 30, 2019, respectively, and was $0.9 million and $1.8 million during the three and six months ended June 30, 2018, respectively. Amortization related to deferred financing costs was $0.4 million and $0.8 million during the three and six months ended June 30, 2019, respectively, and was $0.4 million and $0.9 million during the three and six months ended June 30, 2018, respectively.

The original issue discount on the Term Loan and deferred financing costs were reduced by $0.9 million and $1.5 million for the three and six months ended June 30, 2019, respectively, due to the pro rata write-off to loss on early extinguishment of debt as a result of the $17.8 million Excess Cash Flow principal payment on March 19, 2019 and the $30.0 million voluntary principal payment made on June 17, 2019 on the Term Loan. Deferred financing costs for the six months ended June 30, 2018 were reduced by $0.2 million related to the pro rata write-off of deferred financing costs to loss on early extinguishment of debt as a result of the $54.9 million Excess Cash Flow principal payment made on the Term Loan on March 21, 2018.

2016 Senior Credit Facility

On July 7, 2010, we entered into a senior secured credit facility (the "2010 Senior Credit Facility"), with a banking syndicate and Bank of America, N.A. as Administrative Agent (the "Agent"). On April 30, 2016, we entered into Amendment No. 5 ("Amendment No. 5") to the 2010 Senior Credit Facility which provided for a new senior secured credit facility (the "2016 Senior Credit Facility") upon the satisfaction of certain conditions. On June 15, 2016, we satisfied the conditions set forth in Amendment No. 5 and the 2016 Senior Credit Facility became effective. The 2016 Senior Credit Facility is secured by substantially all of our assets and guaranteed by substantially all of our subsidiaries.

As of June 30, 2019, the 2016 Senior Credit Facility provided for the following:

- a $29.5 million Term Loan;
- a $85.8 million class B revolving facility (the "Revolver"); 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 Revolver.

As of June 30, 2019 and December 31, 2018, the available borrowing capacity under the 2016 Senior Credit Facility was approximately $66.5 million and included $19.3 million in issued letters of credit. Amounts borrowed under the Revolver were used to fund operations. As of June 30, 2019 and December 31, 2018 there were no amounts borrowed under the Revolver. Our cash flow from operations is heavily dependent upon billing and collection of our accounts receivable and access to our Revolver, which is dependent upon our meeting financial and non-financial covenants. The Revolver matured on July 7, 2019, so our cash flows from operations is also dependent on our ability to obtain a new revolving facility and our future financial strength. Upon the maturity of the Revolver, the letters of credit previously issued under the credit agreement governing the 2016 Senior Credit Facility have continued to remain outstanding and are cash collateralized for the benefit of the letter of credit issuer. The Company is currently considering a refinancing of its existing capital structure with a new $70 million senior secured revolving credit facility maturing in calendar year 2024 and a new $360 million senior secured term loan facility maturing in calendar year 2025. There can be no assurances that any such refinancing will be completed. See Note 14 for further discussion.

The Term Loan matures on July 7, 2020. In the event the Company chooses to prepay the Term Loan, the Company is required to provide notice to the Agent three business days prior to the prepayment date for Eurocurrency Rate loans or on the prepayment date for Base Rate loans.

Interest Rates on Term Loan & Revolver

The interest rate per annum applicable to the Term Loan is, at our option, equal to either the Base Rate or the Eurocurrency Rate, as defined in the 2016 Senior Credit Facility, 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 Revolver was, 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, as defined in the 2016 Senior Credit Facility, 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 was the ratio of total first lien secured consolidated debt (net of up to $75 million of unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, depreciation and amortization ("Consolidated EBITDA"), as defined in the 2016 Senior Credit Facility. The variable Base Rate has a floor of 2.75% and the variable Eurocurrency Rate has a floor of 1.75%. Interest payments on the Term Loan are payable at the end of the interest period as defined in the 2016 Senior Credit Facility, but not less than quarterly, and interest payments on the Revolver were payable at the end of the interest period as defined in the 2016 Senior Credit Facility, but not less than quarterly.

As of June 30, 2019 and December 31, 2018, the applicable interest rate on the Term Loan was 8.39% and 8.47%, respectively.

Interest Rates on Letter of Credit Subfacility and Unused Commitment Fees

All of our letters of credit under the 2016 Senior Credit Facility were subject to a 0.25% fronting fee. The letter of credit subfacility bore interest at an applicable rate that ranged from 5.50% to 6.00% with respect to the Revolver commitments. The unused commitment fee on our Revolver ranged from 0.50% to 0.75% on the undrawn amount of the facility depending on the First Lien Secured Leverage Ratio. Interest payments on both the letter of credit subfacility and unused commitments were payable quarterly in arrears. We also paid customary letter of credit and agency fees.

The applicable interest rate for our letter of credit subfacility was 5.50% as of June 30, 2019 and December 31, 2018, respectively. The applicable interest rate for our unused commitment fees was 0.50% as of June 30, 2019 and December 31, 2018.

Principal Payments

The credit agreement governing the 2016 Senior Credit Facility contains an annual requirement to submit a portion of our Excess Cash Flow within five business days of filing annual financial statements, as additional principal payments.

Based on our annual financial results for the years ended December 31, 2018 and 2017, we made additional principal payments as required under the Excess Cash Flow provisions of the 2016 Senior Credit Facility of $17.8 million on March 19, 2019 and $54.9 million on March 21, 2018. 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 six months ended June 30, 2019 or June 30, 2018.

The 2016 Senior Credit Facility requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 100% of excess cash flow 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 six months (and, if committed to be so reinvested, actually reinvested within twelve months).

The principal amount of the Term Loan may be reduced as a result of prepayments, with the remaining amount payable on July 7, 2020. We are permitted to voluntarily repay outstanding loans under the 2016 Senior Credit Facility at any time without premium or penalty, other than customary "breakage" costs with respect to Eurocurrency Rate Loans.

Guarantee and Security

The guarantors of the obligations under the 2016 Senior Credit Facility are identical to those under the Second Lien Notes and the Cerberus 3L Notes. See Note 13. The 2016 Senior Credit Facility is secured on a first lien basis by the same collateral that secures the Second Lien Notes on a second lien basis and the Cerberus 3L Notes on a third lien basis.

Covenants and Other Terms

The 2016 Senior Credit Facility contains a number of financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. Among other things, the 2016 Senior Credit Facility requires us to maintain a maximum total leverage ratio and a minimum interest coverage ratio. The total leverage ratio is the ratio of 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 ratio was 4.75 to 1.0 for the period ended June 30, 2019. The interest coverage ratio 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 ratio was 1.70 to 1.0 for the period ended June 30, 2019.

The 2016 Senior Credit Facility required, solely for the benefit of the lenders under the Revolver, for us to maintain minimum liquidity (based on availability of revolving credit commitments plus unrestricted cash and cash equivalents) as of the end of each fiscal quarter ending after December 31, 2017 of not less than $50.0 million. The credit agreement governing the 2016 Senior Credit Facility also contains customary representations and warranties and events of default.

As of June 30, 2019 and December 31, 2018, we were in compliance with our financial maintenance covenants under the 2016 Senior Credit Facility. We expect, based on current projections and estimates, to be in compliance with our covenants in the 2016 Senior Credit Facility (including our financial maintenance covenants), and the covenants in the Second Lien Notes and the Cerberus 3L notes, further discussed below, for the next twelve months.

Second Lien Notes

On June 15, 2016, $415.7 million principal amount of the 10.375% Senior Notes due 2017 (the "Senior Unsecured Notes") were exchanged for $45.0 million cash and $370.6 million aggregate principal amount of newly issued Second Lien Notes due November 30, 2020, which are governed by the terms of the indenture (the "Indenture"), among DynCorp International, Holdings, as parent guarantor, DynCorp International’s subsidiaries that currently guarantee the 2016 Senior Credit Facility, as subsidiary guarantors (the "Subsidiary Guarantors"), and Wilmington Trust, National Association, as trustee and collateral agent.

Interest on the Second Lien 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 Second Lien Notes is payable in cash and the PIK Interest on the Second Lien Notes is payable in kind, each semi-annually in arrears on January 1 and July 1.

During the three and six months ended June 30, 2019, PIK Interest converted into the carrying amount of the Second Lien Notes was zero and $2.9 million, respectively. During the three and six months ended June 30, 2018, PIK Interest converted into the carrying amount of the Second Lien Notes was zero and $2.8 million, respectively. PIK Interest accrued on the Second Lien Notes was $2.9 million as of both June 30, 2019 and December 31, 2018.

Covenants and Events of Default

The Indenture contains a number of non-financial affirmative and negative covenants we believe are usual and customary. These covenants are subject to a number of important exceptions and qualifications as set forth in the Indenture. The Indenture contains customary events of default, including for failure to pay other indebtedness in a total amount exceeding $10.0 million after final maturity of such indebtedness.

Optional Redemption

The Second Lien Notes are 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:

Period	Redemption Price
July 1, 2018 through June 30, 2019	103.00%
July 1, 2019 and thereafter	100.00%

On July 24, 2019, the Company issued a conditional notice of optional full redemption to holders of the Second Lien Notes. All of the $390.5 million outstanding principal amount of the Second Lien Notes will be redeemed. The redemption price will be 100% of the principal amount (including any increased principal amount of Second Lien Notes resulting from PIK Interest), plus accrued and unpaid cash interest together with an amount of cash equal to all accrued and unpaid PIK Interest, to but excluding the redemption date of August 23, 2019 (unless delayed as set forth below) (such amount, the "Total Redemption Price" and such date, the "Redemption Date"). The redemption of the Second Lien Notes is conditioned on the Company's receipt of net cash proceeds from the proposed entry into a new senior secured term loan facility at a time and date before 10:00 a.m. on the Redemption Date that are sufficient, together with cash on hand, to pay the Total Redemption Price. The redemption of the Second Lien Notes may be delayed until such time as the condition is satisfied or may be rescinded if the condition is not satisfied by the Redemption Date. There can be no assurances that such redemption will be completed.

Cerberus 3L Notes

On June 15, 2016, DynCorp Funding LLC, a limited liability company managed by Cerberus Capital Management, L.P. ("Cerberus"), entered into a Third Lien Credit Agreement (the "Third Lien Credit Agreement") with us. Under the Third Lien Credit Agreement, DynCorp Funding LLC has made a $30.0 million term loan to us (the "Cerberus 3L Notes"). The proceeds of the Cerberus 3L Notes were fully utilized and were 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.

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. During the three and six months ended June 30, 2019, PIK interest converted into the carrying amount of the Cerberus 3L Notes was $0.4 million and $0.9 million, respectively. During the three and six months ended June 30, 2018, PIK interest converted into the carrying amount of the Cerberus 3L Notes was $0.4 million and $0.8 million, respectively.

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 2016 Senior Credit Facility and the Indenture governing the Second Lien 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 and Events of Default

The Cerberus 3L Notes include non-financial affirmative and negative covenants consistent with the covenants set forth in the Second Lien 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 Second Lien Notes. The Third Lien Credit Agreement contains customary events of default, including for failure to pay other debt in a total amount exceeding $12.5 million after final maturity or acceleration of such indebtedness.

Intercreditor Agreement

The collateral granted to secure the indebtedness under the 2016 Senior Credit Facility, on a first-priority basis, has also been granted to secure (a) the Second Lien 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 2016 Senior Credit Facility, Second Lien Notes and Cerberus 3L Notes and the subordination in right of payment

of the Cerberus 3L Notes to the 2016 Senior Credit Facility and the Second Lien 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 2016 Senior Credit Facility, the collateral agent under the Indenture, and the collateral agent under the Third Lien Credit Agreement.

Debt Maturity Schedule

The following table represents our contractual maturity schedule associated with our debt as of June 30, 2019:

	Calendar Years [1]						
(Amounts in thousands)	2019	2020	2021	2022	2023	Thereafter	Total
11.875% senior secured second lien notes	$ —	$ 387,598	$ —	$ —	$ —	$ —	$ 387,598
Term loan	—	29,546	—	—	—	—	29,546
Cerberus 3L notes	—	—	—	—	—	34,957	34,957
Total debt	$ —	$ 417,144	$ —	$ —	$ —	$ 34,957	$ 452,101

(1) As of June 30, 2019, there were no amounts outstanding under the Revolver.

Note 9 — Leases

In February 2016, the FASB issued ASC 842, which supersedes the lease recognition requirements in ASC 840. The core principle of the new standard is that a company should recognize right-of-use assets and lease liabilities arising from financing and operating leases. We adopted ASC 842 as of January 1, 2019 using the modified retrospective approach without restatement of comparative periods. The cumulative effect of applying ASC 842 to our Condensed Consolidated Balance Sheet as of January 1, 2019 was an increase to right-of use assets of $26.3 million, lease liabilities of $37.8 million and a tenant improvement allowance receivable within Other current assets of $6.8 million offset by a reduction to prepaid rent of $2.1 million, accrued rent within Accrued liabilities of $3.4 million, and tenant improvement allowances of $3.4 million. Included in the amounts above are the Fort Worth lease agreements which commenced on January 1, 2019 and consisted of $6.0 million of right-of-use assets, $6.8 million of tenant improvement allowance receivables and $12.8 million of lease liabilities. The Company does not have financing leases.

We lease certain office space, warehouses, housing, equipment and vehicles. These leases are either non-cancelable, cancelable only by the payment of penalties or cancelable upon notice provided. All lease payments are based on the lapse of time and certain leases are subject to annual escalations for increases in base rents. The Company's lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We have no significant long-term purchase agreements with service providers and our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-Term Leases

We have elected the practical expedient for short-term lease recognition exemption by class of underlying asset which results in off-balance sheet accounting for leases with an initial term of 12 months or less ("short-term leases"). We recognize those lease payments in the unaudited condensed consolidated statements of operations on a straight-line basis over the lease term. We also elected a package of practical expedients permitted under ASC 842 which allows the carry forward of historical lease classifications. The Company's material leases previously classified as operating leases under ASC 840 are classified as short-term leases under ASC 842.

Short-term lease rental expense was $14.2 million and $27.2 million during the three and six months ended June 30, 2019, respectively. Minimum fixed rental payments non-cancelable for short-term leases in effect as of June 30, 2019, are as follows:

Calendar Year	Real Estate [1]	Equipment [2]	Total
		(Amounts in thousands)	
2019	$ 2,140	$ 3,308	$ 5,448
2020	375	955	1,330
Total [3]	$ 2,515	$ 4,263	$ 6,778

(1) Real estate includes office space, warehouses and housing.

(2) Equipment includes equipment and vehicles.

(3) We have no minimum fixed rental payments non-cancelable for short-term leases in calendar years 2021, 2022, 2023 and thereafter as of June 30, 2019.

Operating Leases

The Company's operating leases primarily include our material leases of buildings (consisting primarily of our corporate office lease commitments) and equipment and a limited number of embedded leases primarily associated with real estate, equipment and vehicles in certain contracts with an initial term of 12 months or longer. These leases are classified as operating leases and are recognized as right-of-use assets and lease liabilities on the balance sheet.

The following tables present selected financial information for operating leases as of June 30, 2019:

Operating Leases

(Amounts in thousands)	June 30, 2019	
Assets		
Right-of-use leased assets	$	23,279
Total leased assets	$	23,279
Liabilities		
Current portion of long-term lease liabilities	$	7,842
Long-term lease liabilities		26,924
Total lease liabilities	$	34,766

Maturity of Lease Liabilities

(Amounts in thousands)	Operating Leases	
Remainder of 2019	$	5,315
2020		8,761
2021		6,776
2022		5,911
2023		5,512
Thereafter		15,469
Total lease payments	$	47,744
Less: Interest		(12,978)
Present value of lease liabilities	$	34,766

Lease Term and Discount Rate	June 30, 2019
Weighted-average remaining lease term (years)	6.1
Weighted-average discount rate	10.00%

(1) As most of the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The following tables present selected financial information for the three and six months ended June 30, 2019:

Lease Cost		Three Months Ended June 30, 2019					
(Amounts in thousands)	Classification	Real Estate		Equipment		Total	
Operating lease cost	Cost of services	$	1,089	$	148	$	1,237
	Selling, general and administrative expenses		1,437		30		1,467
Sublease income [1]	Other income, net		(252)		—		(252)
Net lease cost		$	2,274	$	178	$	2,452

		Six Months Ended June 30, 2019					
(Amounts in thousands)	Classification	Real Estate		Equipment		Total	
Operating lease cost	Cost of services	$	2,115	$	299	$	2,414
	Selling, general and administrative expenses		2,709		51		2,760
Sublease income [1]	Other income, net		(583)		—		(583)
Net lease cost		$	4,241	$	350	$	4,591

(1) We sublease certain real estate to third parties.

Lease rental expense was $10.4 million and $21.0 million for the three and six months ended June 30, 2018, respectively.

Other Information *(Amounts in thousands)*	**Six Months Ended June 30, 2019**	
Cash paid for amounts included in the measurement of lease liabilities		
Operating lease payments	$	(5,191)
Leased assets obtained in exchange for new lease liability		297

As of December 31, 2018, the minimum fixed rental payments on non-cancelable leases totaled a cumulative $31.1 million. The Fort Worth lease agreements which commenced on January 1, 2019 were not included in this amount as of December 31, 2018.

Note 10 — Commitments and Contingencies

Commitments

See Note 9 for further discussion on our lease commitments.

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 $5.2 million and $4.7 million as of June 30, 2019 and December 31, 2018, 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 June 30, 2019. 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 June 30, 2019. 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 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 Police ("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 could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed on us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and may result in adverse action against us. We believe that any adverse actions arising from such matters could have a material effect on

our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government and could have a material effect on our operating performance.

U.S. Government Audits

Our contracts are regularly audited by the Defense Contract Audit Agency ("DCAA") and other government agencies. These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The government also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, accounting and material management business systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. The DCAA will in some cases issue a Form 1 representing the non-conformance of such costs or requirements as it relates to our government contracts. If we are unable to provide sufficient evidence of the costs in question, the costs could be suspended or disallowed which could be material to our financial statements. Government contract payments received by us for direct and indirect costs are subject to adjustment after government audit and repayment to the government if the payments exceed allowable costs as defined in the government regulations.

Our incurred costs claims for U.S. government contracts completed through fiscal year 2017 have been audited by the DCAA and negotiated by the Defense Contract Management Agency ("DCMA") except for fiscal years 2015 and 2016, which questioned $7.4 million of costs and resulted in a unilateral decision of our indirect rates. The largest portion of the unilateral decision has been appealed to the Armed Services Board of Contract Appeals ("ASBCA") and at this time, we believe the likelihood of an unfavorable outcome in this case is remote.

We have received a series of audit reports from the DCAA related to their examination of certain incurred, invoiced and reimbursed costs on the Logistics Civil Augmentation Program IV ("LOGCAP IV") for contract years 2009 to 2017. For contract years 2009 to 2012, through our negotiation efforts with the Contracting Officer the issues have been resolved, resulting in final settlements of all audited costs of approximately $0.8 million. For contract years 2013 and 2014, we have received DCAA's final audit report, which questions approximately $3.9 million of costs. We are in discussions with the Contracting Officer regarding the final audit report and we believe that the settlement of the outstanding amounts will not be material to our financial statements. The DCAA has completed its audit of contract years 2015 and 2016 and LOGCAP IV had no questioned contract costs. Additionally, the DCAA has recently completed its audit of contract year 2017 and LOGCAP IV had no questioned contract costs.

Credit Risk

We are subject to concentrations of credit risk primarily by virtue of our accounts receivable. Departments and agencies of the U.S. federal government account for all but minor portions of our customer base, minimizing this credit risk. Furthermore, the significance of any one contract can change as our business expands or contracts. Additionally, as contract modifications, contract extensions or other contract actions occur, the profitability of any one contract can become more or less significant to the Company. As contracts are recompeted, there is the potential for the size, contract type, contract structure or other contract elements to materially change from the original contract resulting in significant changes to the scope, scale, profitability or magnitude of accounts receivable of the new recompeted contract as compared to the original contract. We continuously review all accounts receivable and record provisions for doubtful accounts when necessary.

Risk Management Liabilities and Reserves

We are insured for domestic workers' compensation liabilities and a significant portion of our employee medical costs. However, we bear risk for a portion of claims pursuant to the terms of the applicable insurance contracts. We account for these programs based on actuarial estimates of the amount of loss inherent in that period's claims, including losses for which claims have not been reported of $6.0 million and $5.9 million as of June 30, 2019 and December 31, 2018, 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 11 — Segment Information

We have 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.

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		Six Months Ended	
(Amounts in thousands)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue				
DynAviation	$ 234,254	$ 297,454	$ 458,625	$ 614,686
DynLogistics	253,573	251,246	510,092	468,770
Headquarters / Other [1]	(4)	1,661	(109)	1,198
Total revenue	$ 487,823	$ 550,361	$ 968,608	$ 1,084,654
Operating income (loss)				
DynAviation	$ 13,440	$ 25,282	$ 23,248	$ 51,216
DynLogistics	23,551	28,896	50,650	48,202
Headquarters / Other [2]	(9,264)	(10,837)	(16,429)	(18,576)
Total operating income (loss)	$ 27,727	$ 43,341	$ 57,469	$ 80,842
Depreciation and amortization				
DynAviation	$ 283	$ 287	$ 584	$ 785
DynLogistics	677	652	1,351	1,068
Headquarters / Other	5,836	5,962	11,647	11,868
Total depreciation and amortization [3]	$ 6,796	$ 6,901	$ 13,582	$ 13,721

(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, partially offset by equity method investee income.

(3) Includes amounts included in Cost of services of $0.9 million and $1.8 million and for the three and six months ended June 30, 2019, respectively, and $0.9 million and $1.7 million for the three and six months ended June 30, 2018, 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)	June 30, 2019	December 31, 2018
Assets		
DynAviation	$ 236,249	$ 171,867
DynLogistics	229,756	291,619
Headquarters / Other [1]	252,586	254,813
Total assets	$ 718,591	$ 718,299

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

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

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 $0.1 million and $0.2 million of consulting fees on a gross basis before considering the effect of our contract mix which provides for partial recovery in conjunction with the COAC Agreement, during the three and six months ended June 30, 2019 and June 30, 2018, respectively.

The 2016 Senior Credit Facility permits payments under the COAC Agreement or any transaction contemplated thereby not to exceed $6.0 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 variable interest entities ("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. We consolidated DynCorp International FZ - LLC ("DIFZ") based on the aforementioned criteria. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method. As of June 30, 2019, we accounted for Partnership for Temporary Housing LLC ("PaTH") and Global Linguist Solutions ("GLS") as equity method investments. We present our share of the PaTH and GLS earnings in Earnings from equity method investees as these joint ventures are considered operationally integral.

Receivables due from our unconsolidated joint ventures totaled $0.1 million as of both June 30, 2019 and December 31, 2018. 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 incur cost or earn revenue from services provided to our unconsolidated joint ventures during the three and six months ended June 30, 2019. We recognized equity method income of $0.7 million during the three and six months ended June 30, 2019 and $0.2 million and $0.3 million during the three and six months ended June 30, 2018, respectively.

GLS' revenue was $14.7 million and $31.0 million during the three and six months ended June 30, 2019, respectively, and $13.2 million and $25.9 million during the three and six months ended June 30, 2018, respectively. GLS' operating and net income was $1.4 million and $2.3 million during the three and six months ended June 30, 2019, respectively, and was $1.3 million and $2.0 million during the three and six months ended June 30, 2018, 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 $1.6 million and $1.8 million as of June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

	As Of	
(Amounts in millions)	June 30, 2019	December 31, 2018
Assets	$ 13.3	$ 16.5
Liabilities	10.3	13.3

	Three Months Ended		Six Months Ended	
(Amounts in millions)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 40.4	$ 43.1	$ 82.9	$ 85.3

The following tables present selected financial information for our equity method investees as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

	As Of	
(Amounts in millions)	June 30, 2019	December 31, 2018
Current assets	$ 14.0	$ 16.7
Total assets	14.0	16.7
Current liabilities	8.2	5.5
Total liabilities	8.2	5.5

	Three Months Ended		Six Months Ended	
(Amounts in millions)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 14.7	$ 14.7	$ 31.0	$ 29.3
Gross profit	1.4	1.8	2.3	2.8
Net income	1.4	1.8	2.3	2.8

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) $0.6 million investment in unconsolidated joint ventures, (ii) $0.1 million in receivables from our unconsolidated joint ventures, (iii) $1.6 million note receivable from Palm Trading Investment Corp. and (iv) contingent liabilities that were neither probable nor reasonably estimable as of June 30, 2019.

Note 13 — Consolidating Financial Statements of Subsidiary Guarantors

The Second Lien Notes issued by DynCorp International Inc. ("Subsidiary Issuer"), the 2016 Senior Credit Facility and the term loan under the Third Lien Credit Agreement are fully and unconditionally guaranteed, jointly and severally, by the Company ("Parent") and the following domestic subsidiaries of Subsidiary Issuer: DynCorp International LLC, DTS Aviation Services LLC, DynCorp Aerospace Operations LLC, DynCorp International Services LLC, DIV Capital Corporation, Dyn Marine Services of Virginia LLC, Services International LLC, Worldwide Management and Consulting Services LLC, Worldwide Recruiting and Staffing Services LLC, Heliworks LLC, Phoenix Consulting Group, LLC, Casals & Associates, Inc., Culpeper National Security Solutions LLC, and Highground Global, Inc. ("Subsidiary Guarantors"). Each of the Subsidiary Issuer and the Subsidiary Guarantors is 100% owned by the Company. Under the Indenture governing the Second Lien Notes, a guarantee of a Subsidiary Guarantor would 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 June 30, 2019 and December 31, 2018, (ii) unaudited condensed consolidating statements of operations and comprehensive income for the three and six months ended June 30, 2019 and June 30, 2018, (iii) unaudited condensed consolidating statements of cash flows for the six months ended June 30, 2019 and June 30, 2018 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 Second Lien Notes.

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Three Months Ended June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 489,098	$ 41,579	$ (42,854)	$ 487,823
Cost of services	—	—	(430,642)	(39,839)	41,554	(428,927)
Selling, general and administrative expenses	—	—	(24,682)	(2,570)	1,300	(25,952)
Depreciation and amortization expense	—	—	(5,820)	(59)	—	(5,879)
Earnings from equity method investees	—	—	—	662	—	662
Operating income (loss)	—	—	27,954	(227)	—	27,727
Interest expense	—	(13,890)	(442)	—	—	(14,332)
Loss on early extinguishment of debt	—	(852)	—	—	—	(852)
Interest income	—	—	1,119	—	—	1,119
Equity in income (loss) of consolidated subsidiaries	5,153	16,800	(452)	—	(21,501)	—
Other income, net	—	—	771	2	—	773
Income (loss) before income taxes	5,153	2,058	28,950	(225)	(21,501)	14,435
Benefit (provision) for income taxes	—	3,095	(12,150)	(76)	—	(9,131)
Net income (loss)	5,153	5,153	16,800	(301)	(21,501)	5,304
Noncontrolling interests	—	—	—	(151)	—	(151)
Net income (loss) attributable to Delta Tucker Holdings, Inc.	$ 5,153	$ 5,153	$ 16,800	$ (452)	$ (21,501)	$ 5,153

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Three Months Ended June 30, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 553,769	$ 47,343	$ (50,751)	$ 550,361
Cost of services	—	—	(480,310)	(47,036)	50,748	(476,598)
Selling, general and administrative expenses	—	—	(24,670)	—	—	(24,670)
Depreciation and amortization expense	—	—	(5,915)	(62)	3	(5,974)
Earnings from equity method investees	—	—	222	—	—	222
Operating income	—	—	43,096	245	—	43,341
Interest expense	—	(15,585)	(498)	—	—	(16,083)
Interest income	—	—	407	1	—	408
Equity in income (loss) of consolidated subsidiaries	24,809	34,939	(96)	—	(59,652)	—
Other income (expense), net	—	—	559	(67)	—	492
Income before income taxes	24,809	19,354	43,468	179	(59,652)	28,158
Benefit (provision) for income taxes	—	5,455	(8,529)	(66)	—	(3,140)
Net income	24,809	24,809	34,939	113	(59,652)	25,018
Noncontrolling interests	—	—	—	(209)	—	(209)
Net income (loss) attributable to Delta Tucker Holdings, Inc.	$ 24,809	$ 24,809	$ 34,939	$ (96)	$ (59,652)	$ 24,809

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Six Months Ended June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 972,829	$ 85,602	$ (89,823)	$ 968,608
Cost of services	—	—	(853,629)	(83,274)	88,509	(848,394)
Selling, general and administrative expenses	—	—	(50,390)	(2,596)	1,312	(51,674)
Depreciation and amortization expense	—	—	(11,615)	(120)	2	(11,733)
Earnings from equity method investees	—	—	—	662	—	662
Operating income	—	—	57,195	274	—	57,469
Interest expense	—	(28,159)	(857)	—	—	(29,016)
Loss on early extinguishment of debt	—	(1,475)	—	—	—	(1,475)
Interest income	—	—	2,152	2	—	2,154
Equity in income (loss) of consolidated subsidiaries	16,762	40,174	(239)	—	(56,697)	—
Other income, net	—	—	1,395	2	—	1,397
Income before income taxes	16,762	10,540	59,646	278	(56,697)	30,529
Benefit (provision) for income taxes	—	6,222	(19,472)	(122)	—	(13,372)
Net income	16,762	16,762	40,174	156	(56,697)	17,157
Noncontrolling interests	—	—	—	(395)	—	(395)
Net income (loss) attributable to Delta Tucker Holdings, Inc.	$ 16,762	$ 16,762	$ 40,174	$ (239)	$ (56,697)	$ 16,762

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Operations Information
For the Six Months Ended June 30, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,091,320	$ 93,793	$ (100,459)	$ 1,084,654
Cost of services	—	—	(949,629)	(92,831)	100,439	(942,021)
Selling, general and administrative expenses	—	—	(49,838)	(205)	14	(50,029)
Depreciation and amortization expense	—	—	(11,911)	(126)	6	(12,031)
Earnings from equity method investees	—	—	269	—	—	269
Operating income	—	—	80,211	631	—	80,842
Interest expense	—	(32,070)	(1,001)	—	—	(33,071)
Loss on early extinguishment of debt	—	(239)	—	—	—	(239)
Interest income	—	—	931	2	—	933
Equity in income of consolidated subsidiaries	41,217	62,219	54	—	(103,490)	—
Other income (expense), net	—	—	1,151	(10)	—	1,141
Income before income taxes	41,217	29,910	81,346	623	(103,490)	49,606
Benefit (provision) for income taxes	—	11,307	(19,127)	(64)	—	(7,884)
Net income	41,217	41,217	62,219	559	(103,490)	41,722
Noncontrolling interests	—	—	—	(505)	—	(505)
Net income attributable to Delta Tucker Holdings, Inc.	$ 41,217	$ 41,217	$ 62,219	$ 54	$ (103,490)	$ 41,217

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Income Information
For the Three Months Ended June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net income (loss)	$ 5,153	$ 5,153	$ 16,800	$ (301)	$ (21,501)	$ 5,304
Other comprehensive loss, net of tax:						
Foreign currency translation adjustment	(12)	(12)	—	(12)	24	(12)
Other comprehensive loss, before tax	(12)	(12)	—	(12)	24	(12)
Income tax benefit related to items of other comprehensive loss	3	3	—	3	(6)	3
Other comprehensive loss	(9)	(9)	—	(9)	18	(9)
Comprehensive income (loss)	5,144	5,144	16,800	(310)	(21,483)	5,295
Noncontrolling interests	—	—	—	(151)	—	(151)
Comprehensive income (loss) attributable to Delta Tucker Holdings, Inc.	$ 5,144	$ 5,144	$ 16,800	$ (461)	$ (21,483)	$ 5,144

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Income Information
For the Three Months Ended June 30, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net income	$ 24,809	$ 24,809	$ 34,939	$ 113	$ (59,652)	$ 25,018
Other comprehensive loss, net of tax:						
Foreign currency translation adjustment	(29)	(29)	—	(29)	58	(29)
Other comprehensive loss, before tax	(29)	(29)	—	(29)	58	(29)
Income tax benefit related to items of other comprehensive loss	6	6	—	6	(12)	6
Other comprehensive loss	(23)	(23)	—	(23)	46	(23)
Comprehensive income	24,786	24,786	34,939	90	(59,606)	24,995
Noncontrolling interests	—	—	—	(209)	—	(209)
Comprehensive income attributable to Delta Tucker Holdings, Inc.	$ 24,786	$ 24,786	$ 34,939	$ (119)	$ (59,606)	$ 24,786

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Income Information
For the Six Months Ended June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net income	$ 16,762	$ 16,762	$ 40,174	$ 156	$ (56,697)	$ 17,157
Other comprehensive loss, net of tax:						
Foreign currency translation adjustment	(62)	(62)	—	(62)	124	(62)
Other comprehensive loss, before tax	(62)	(62)	—	(62)	124	(62)
Income tax benefit related to items of other comprehensive loss	15	15	—	15	(30)	15
Other comprehensive loss	(47)	(47)	—	(47)	94	(47)
Comprehensive income	16,715	16,715	40,174	109	(56,603)	17,110
Noncontrolling interests	—	—	—	(395)	—	(395)
Comprehensive income (loss) attributable to Delta Tucker Holdings, Inc.	$ 16,715	$ 16,715	$ 40,174	$ (286)	$ (56,603)	$ 16,715

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Comprehensive Income Information
For the Six Months Ended June 30, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net income	$ 41,217	$ 41,217	$ 62,219	$ 559	$ (103,490)	$ 41,722
Other comprehensive loss, net of tax:						
Foreign currency translation adjustment	(28)	(28)	—	(28)	56	(28)
Other comprehensive loss, before tax	(28)	(28)	—	(28)	56	(28)
Income tax benefit related to items of other comprehensive loss	6	6	—	6	(12)	6
Other comprehensive loss	(22)	(22)	—	(22)	44	(22)
Comprehensive income	41,195	41,195	62,219	537	(103,446)	41,700
Noncontrolling interests	—	—	—	(505)	—	(505)
Comprehensive income attributable to Delta Tucker Holdings, Inc.	$ 41,195	$ 41,195	$ 62,219	$ 32	$ (103,446)	$ 41,195

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Balance Sheet Information
June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 179,060	$ 16,583	$ —	$ 195,643
Restricted cash	—	15,384	4,910	—	—	20,294
Accounts receivable, net	—	—	118,805	32	(12,316)	106,521
Contract assets	—	—	186,455	109	—	186,564
Intercompany receivables	—	—	294,593	16,713	(311,306)	—
Prepaid expenses and other current assets	—	—	61,554	2,269	—	63,823
Total current assets	—	15,384	845,377	35,706	(323,622)	572,845
Property and equipment, net	—	—	20,879	211	—	21,090
Right-of-use assets	—	—	22,356	923	—	23,279
Goodwill	—	—	9,694	32,399	—	42,093
Tradenames, net	—	—	28,536	—	—	28,536
Other intangibles, net	—	—	22,328	—	—	22,328
Investment in subsidiaries	—	660,719	54,628	—	(715,347)	—
Long-term deferred taxes	—	—	844	—	—	844
Other assets, net	—	—	7,539	37	—	7,576
Total assets	$ —	$ 676,103	$ 1,012,181	$ 69,276	$ (1,038,969)	$ 718,591
			LIABILITIES & DEFICIT			
Current liabilities:						
Accounts payable	$ —	$ —	$ 89,482	$ 1,809	$ (292)	$ 90,999
Accrued payroll and employee costs	—	—	84,398	10,254	(9,258)	85,394
Current portion of long-term lease liabilities	—	—	7,168	674	—	7,842
Contract liabilities	—	—	46,503	—	—	46,503
Intercompany payables	46,426	248,167	16,713	—	(311,306)	—
Deferred income taxes	—	—	—	21	(21)	—
Accrued liabilities	48,415	25,689	45,864	1,677	(50,754)	70,891
Income taxes payable	—	—	25,051	—	(406)	24,645
Total current liabilities	94,841	273,856	315,179	14,435	(372,037)	326,274
Long-term debt, net	—	450,662	—	—	—	450,662
Long-term lease liabilities	—	—	26,711	213	—	26,924
Other long-term liabilities	—	—	4,235	—	—	4,235
Noncontrolling interests	—	—	5,337	—	—	5,337
(Deficit) equity	(94,841)	(48,415)	660,719	54,628	(666,932)	(94,841)
Total liabilities and deficit	$ —	$ 676,103	$ 1,012,181	$ 69,276	$ (1,038,969)	$ 718,591

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Balance Sheet Information
December 31, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 183,828	$ 19,969	$ —	$ 203,797
Accounts receivable, net	—	—	177,735	44	(13,878)	163,901
Contract assets	—	—	172,079	58	—	172,137
Intercompany receivables	—	—	246,575	19,434	(266,009)	—
Prepaid expenses and other current assets	—	—	42,101	1,912	—	44,013
Total current assets	—	—	822,318	41,417	(279,887)	583,848
Property and equipment, net	—	—	21,726	332	—	22,058
Goodwill	—	—	9,694	32,399	—	42,093
Tradenames, net	—	—	28,536	—	—	28,536
Other intangibles, net	—	—	32,867	—	—	32,867
Investment in subsidiaries	—	649,976	55,075	—	(705,051)	—
Long-term deferred taxes	—	—	724	—	—	724
Other assets, net	—	—	7,779	394	—	8,173
Total assets	$ —	$ 649,976	$ 978,719	$ 74,542	$ (984,938)	$ 718,299
			LIABILITIES & DEFICIT			
Current liabilities:						
Current portion of long-term debt, net	$ —	$ 17,073	$ —	$ —	$ —	$ 17,073
Accounts payable	—	—	103,882	3,975	(636)	107,221
Accrued payroll and employee costs	—	—	94,492	13,810	(12,496)	95,806
Contract liabilities	—	—	37,816	—	—	37,816
Intercompany payables	46,426	200,149	19,434	—	(266,009)	—
Deferred income taxes	—	—	—	22	(22)	—
Accrued liabilities	65,373	23,467	34,805	1,660	(65,655)	59,650
Income taxes payable	—	—	22,262	—	(442)	21,820
Total current liabilities	111,799	240,689	312,691	19,467	(345,260)	339,386
Long-term debt, net	—	474,660	—	—	—	474,660
Other long-term liabilities	—	—	10,553	—	—	10,553
Noncontrolling interests	—	—	5,499	—	—	5,499
(Deficit) Equity	(111,799)	(65,373)	649,976	55,075	(639,678)	(111,799)
Total liabilities and deficit	$ —	$ 649,976	$ 978,719	$ 74,542	$ (984,938)	$ 718,299

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Cash Flow Information
For the Six Months Ended June 30, 2019

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ —	$ 14,962	$ 51,426	$ (5,367)	$ (371)	$ 60,650
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(1,586)	—	—	(1,586)
Proceeds from sale of property, plant and equipment	—	—	402	—	—	402
Purchase of software	—	—	(153)	—	—	(153)
Return of capital from equity method investees	—	—	2,325	—	—	2,325
Contributions to equity method investees	—	—	(1,530)	—	—	(1,530)
Transfers (to) from affiliates	—	—	(48,019)	2,723	45,296	—
Net cash (used in) provided by investing activities	—	—	(48,561)	2,723	45,296	(542)
Cash flows from financing activities:						
Payments on senior secured credit facility	—	(47,797)	—	—	—	(47,797)
Equity contribution from affiliates of Cerberus	—	200	—	—	—	200
Payments of dividends to noncontrolling interests	—	—	—	(742)	371	(371)
Net transfers from (to) Parent/subsidiary	—	48,019	(2,723)	—	(45,296)	—
Net cash provided by (used in) financing activities	—	422	(2,723)	(742)	(44,925)	(47,968)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	15,384	142	(3,386)	—	12,140
Cash, cash equivalents and restricted cash, beginning of period	—	—	183,828	19,969	—	203,797
Cash, cash equivalents and restricted cash, end of period	$ —	$ 15,384	$ 183,970	$ 16,583	$ —	$ 215,937

Delta Tucker Holdings, Inc. and Subsidiaries
Unaudited Condensed Consolidating Statement of Cash Flow Information
For The Six Months Ended June 30, 2018

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by operating activities	$ —	$ 17,678	$ 87,530	$ 1,177	$ (623)	$ 105,762
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(6,160)	—	—	(6,160)
Proceeds from sale of property, plant and equipment	—	—	13	—	—	13
Purchase of software	—	—	(41)	—	—	(41)
Return of capital from equity method investees	—	—	6,595	—	—	6,595
Contributions to equity method investees	—	—	(200)	—	—	(200)
Transfers to affiliates	—	—	(37,065)	(1,281)	38,346	—
Net cash used in investing activities	—	—	(36,858)	(1,281)	38,346	207
Cash flows from financing activities:						
Payments on senior secured credit facility	—	(54,943)	—	—	—	(54,943)
Equity contribution from affiliates of Cerberus	—	200	—	—	—	200
Payments of dividends to noncontrolling interests	—	—	—	(1,246)	623	(623)
Net transfers from Parent/subsidiary	—	37,065	1,281	—	(38,346)	—
Net cash (used in) provided by financing activities	—	(17,678)	1,281	(1,246)	(37,723)	(55,366)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	—	51,953	(1,350)	—	50,603
Cash, cash equivalents and restricted cash, beginning of period	—	—	153,004	15,246	—	168,250
Cash, cash equivalents and restricted cash, end of period	$ —	$ —	$ 204,957	$ 13,896	$ —	$ 218,853

Note 14 — Subsequent Events

We evaluated potential subsequent events occurring after the period end date through the date the financial statements were issued and determined no subsequent events merited disclosure for the period ended June 30, 2019, except as disclosed within the Notes to the unaudited condensed consolidated financial statements or as described below.

Debt Refinance

The Company is currently considering a refinancing of its existing capital structure with a new $70 million senior secured revolving credit facility maturing in 2024 and a new $360 million senior secured term loan facility maturing in 2025. There can be no assurances that any such refinancing will be completed.

On July 24, 2019, the Company issued a conditional notice of optional full redemption to holders of the Second Lien Notes. All of the $390.5 million outstanding principal amount of the Second Lien Notes will be redeemed. The Total Redemption Price will be 100% of the principal amount (including any increased principal amount of Second Lien Notes resulting from PIK Interest), plus accrued and unpaid cash interest together with an amount of cash equal to all accrued and unpaid PIK Interest, to but excluding the Redemption Date of August 23, 2019 (unless delayed as set forth below). The redemption of the Second Lien Notes is conditioned on the Company's receipt of net cash proceeds from the proposed entry into a new senior secured term loan facility at a time and date before 10:00 a.m. on the Redemption Date that are sufficient, together with cash on hand, to pay the Total Redemption Price.

The redemption of the Second Lien Notes may be delayed until such time as the condition is satisfied or may be rescinded if the condition is not satisfied by the Redemption Date. There can be no assurance that such redemption will be completed.

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, 2018. 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 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. DynAviation also provides the technical information and expertise to manage large fleets and bases and delivers engineering and maintenance services to help keep operations running effectively. The Theater Aviation Sustainment Manager - OCONUS ("TASM-O") and the Contractor Logistics Support: C-12, C-26, UC-35 and T-6 Transport ("CLS Transport") programs are two of the most significant programs in the DynAviation segment. The TASM-O program provides aviation maintenance services under the Army Aviation Field Maintenance ("AFM") program. Our CLS Transport program provides logistics support services for government-owned fixed-wing fleets performing transport aircraft missions (C-12, C-26 and UC-35 fleets, with limited services for T-6 fleets).

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. 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.

The Logistics Civil Augmentation Program IV ("LOGCAP IV") and Afghanistan Life Support Services ("ALiSS") contracts are 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 forces and to release military units from combat service support missions or to fill the U.S. military resource shortfalls. LOGCAP IV had an initial term of up to ten years, and was subsequently extended in June 2018 by twelve months to April 2019. In April 2019, we were notified by the U.S. Army that we were not an awardee on the upcoming LOGCAP V contract vehicle. In April 2019, we filed a protest against awards for the LOGCAP V contract vehicle at the Government Accountability Office ("GAO"). In July 2019, we were notified that the GAO did not rule in our favor on our GAO protest. On August 5, 2019, we filed a complaint at the U.S. Court of Federal Claims regarding LOGCAP V and we expect to continue to pursue legal recourse relating

to this matter. Under the ALiSS contract, the Company provides the DoS's Bureau of South and Central Asian Affairs with life support services for the U.S. mission in Afghanistan, including the U.S. Embassy in Kabul, and other U.S. government sites within the country.

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, 2018.

External Factors

Our business is primarily derived from U.S. government contracts to support U.S. foreign policy and national security objectives around the globe. Federal spending for these activities, combined with aligning capabilities with policy priorities, guides our ability to grow the business. On August 2, 2019, the President signed into law a new budget agreement that will lift the Budget Control Act ("BCA") mandated spending caps for fiscal years 2020 and 2021. The new budget deal ensures continued stability and predictability, which promotes a positive business environment and enables further growth in the defense services sector. Importantly, this agreement ends the threat of sequestration as the BCA expires at the end of fiscal year 2021.

In fiscal year 2019, the DoD was appropriated $675 billion, which is a $20 billion increase over fiscal year 2018. Funding continues to be directed toward programs and activities that restore readiness and ensure the future readiness of the force, to include increased purchasing of parts, training, flight hours and other readiness enablers. For fiscal year 2020, the new budget agreement allocates $738 billion for national defense spending with the DoD receiving roughly 95% of funds. This is $22 billion or 3% more than fiscal year 2019. Under the new budget agreement, the budget will marginally grow again in fiscal year 2021 to $741 billion, or 4% more than current spending, reflecting multiple years of compounding growth.

Growth in the defense budget combined with the prioritization of readiness and ongoing operations aligns with our core offerings and favors continued growth. Still, U.S. policy and budget decisions do not exist in a vacuum, and global events shape adjustments to policies, as well as the funding levels and mechanisms to support these shifts. External factors influencing the industry continue to include:

- Disruptions to funding caused by a government shutdown or a continuing resolution;
- Increased competition and opportunity caused by IDIQs and other bidding trends;
- Readiness-driven requirements to maintain and sustain equipment;
- Troop levels, mission requirements and tempo of operations in Afghanistan;
- Conflicts in Iraq, Syria and the wider Middle East;
- On-going tension with Iran;
- North Korea's nuclear program and challenging behavior; and
- Russian aggression in Europe and the Middle East.

Internationally, ongoing negotiations to bring a peaceful resolution to the conflict in Afghanistan will impact U.S. roles and missions, as well as the related force structure. To reach an agreement, the U.S. and Afghan governments are likely to require a NATO in-country footprint to assist with vital and necessary tasks, such as training and equipping the Afghanistan National Defense and Security Forces and maintaining counter-terrorism capabilities, will remain and require proportionate contractor support. In addition to Afghanistan, the wider geopolitical environment, even with the territorial loss of ISIS and increased dialogue on the Korean peninsula, will likely be marked by continued instability for the foreseeable future which argues for continued robust Overseas Contingency Operations ("OCO") funding.

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 operational, immediate and 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; and
- Growth in outsourcing by foreign allies of maintenance, supply-support, facilities management, infrastructure upgrades, and construction management related services.

Current Business Environment

Our contract vehicles typically have a base period with multiple option periods. The majority of these periods are for a term of one year, as the contract duration is the period over which the parties have present enforceable rights. We also have a strong history of being awarded a majority of the contract options. Furthermore, the significance of any one contract can change as our business expands or contracts. Additionally, as contract modifications, contract extensions or other contract actions occur, the

profitability of any one contract can become more or less significant to the Company. As contracts are re-competed, there is the potential for the size, contract type, contract structure or other contract elements to materially change from the original contract resulting in significant changes to the scope, scale, profitability or magnitude of accounts receivable of the new re-competed contract as compared to the original contract.

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 2016 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 or sequestration, could adversely affect our ability to obtain additional liquidity or refinance existing indebtedness at acceptable terms or at all.

Notable Events for the six months ended June 30, 2019 and to date

- In January 2019, DynAviation was named one of multiple awardees on the Contracted Maintenance, Modification, Aircrew, and Related Services ("CMMARS") multiple award IDIQ contract from the U.S. Navy to provide logistical support for Navy and Air Force rotary-wing and fixed-wing aircraft, unmanned aerial vehicles, subsystems and related weapon systems. The suite of multiple-award IDIQ contracts has a total potential contract value of $12.6 billion. In May 2019, we were awarded our first task order under the CMMARS contract to provide Contractor Logistics Support for UC-35C and UC35D Cessna Citation Model aircraft. The task order has a one-year base period and four one-year option periods and a total potential task order value of $118.7 million.

- In February 2019, DynLogistics announced the award of a task order for the F-15 Acquisition Support, under the Air Force Contract Augmentation contract, Foreign Military Sales Program. The task order has a total potential contract value of $14.8 million.

- In February 2019, DynLogistics announced the award of a task order for the Air Force Contract Augmentation contract for Mission Support Services at Ali Al Salem Air Base ("AASAB"), Kuwait. The task order has a total potential contract value of $11.4 million.

- In March 2019, DynLogistics announced a six-month contract extension on the Fort Irwin National Training Center on the Northcom task order under the LOGCAP IV contract. The extension has a total potential value of $50.2 million.

- In March 2019, DynLogistics announced a six-month contract extension to support the U.S. Army Garrison-Kwajalein Atoll ("USAG-KA") on the U.S. Army Pacific Command (“PACOM”) task order under the LOGCAP IV contract. The extension has a total potential value of $61.2 million.

- In March 2019, DynAviation announced the award of the J85 engine maintenance contract to provide full cycle management of jet engine and support equipment at Laughlin Air Force Base, Texas. The contract has a total potential value of $18.6 million.

- In March 2019, DynLogistics announced the award of a task order under the Air Force Contract Augmentation contract to provide Offutt Recovery Support with a period of performance from March 2019 to March 2020. The task order has a total potential contract value of $50.0 million.

- On March 19, 2019, we made an additional principal payment of $17.8 million under the Excess Cash Flow requirement on the Term Loan.

- In April 2019, we were notified by the U.S. Army that we were not an awardee on the upcoming LOGCAP V contract vehicle. In April 2019, we filed a protest against awards for the LOGCAP V contract vehicle at the GAO. In July 2019, we were notified that the GAO did not rule in our favor on our GAO protest. On August 5, 2019, we filed a complaint at the U.S. Court of Federal Claims regarding LOGCAP V and we expect to continue to pursue legal recourse relating to this matter.

- In April 2019, DynAviation announced the award of the Aviation Field Maintenance and Sustainment Level Maintenance contract for the AFM Directorate in the West Region ("AFM West") to perform management, aircraft and ground support equipment maintenance, as well as aircraft modifications, and other logistical support to aviation customers worldwide. The contract has a one-year base period and seven one-year option periods and a total potential contract value of $1.1 billion. The contract award is under protest.

- In April 2019, DynLogistics announced the award of a contract for Operations and Maintenance ("O&M") support services at the Office of the Program Manager - Saudi Arabian National Guard ("SANG") locations within the Kingdom of Saudi Arabia. The contact has a one-year base period and four one-year option periods and a total potential contract value of $21.3 million.

- In May 2019, DynAviation announced the award of the Aviation Field Maintenance and Sustainment Level Maintenance contract for the AFM Directorate in the East Region ("AFM East") to perform management, aircraft and ground support equipment maintenance, as well as aircraft modifications, and other logistical support to aviation customers worldwide. The contract has a one-year base period and seven one-year option periods and a total potential contract value of $2.4 billion. The contract award is under protest.

- In May 2019, DynAviation announced the award of the U.S. Customs and Border Protection ("CBP") contract to provide aircraft maintenance and logistics support services for the CBP's fleet of fixed-wing and rotary-wing aircraft. The contract has a one-year base period, nine one-year option periods and one six-month option period and a total potential contract value of $1.4 billion. The contract award is in the protest adjudication process.

- In June 2019, DynLogistics was named one of the multiple awardees on the Diplomatic Platform Support Services ("DiPSS") multiple award IDIQ contract from the DoS to provide a full range of services for Life Support Services,

Logistics Services and O&M services to the DoS and other U.S. government agencies across the globe. The suite of multiple-award IDIQ contracts has a one-year base period and four one-year option periods and a total potential contract value of $6 billion.

- In June 2019, DynAviation announced the award of the Kuwait Air Force Metrology and Calibration ("METCAL") Precision Measurement Equipment Laboratory ("PMEL") II contract. The contract has a one-year base period and four one-year option periods and a total potential contract value of $29.7 million.
- In June 2019, DynAviation announced a contract extension on the Theater Aviation Sustainment Manager - OCONUS ("TASM-O") contract through December 31, 2019. The six month extension has a total potential value of $91.2 million.
- On June 17, 2019, we made a voluntary principal prepayment of $30.0 million on the Term Loan.
- In July 2019, DynAviation announced the award of the U.S. Air Force Central Command Support Services ("ACCOM") contract to provide aviation command and maintenance services including air traffic control, airfield management and associated maintenance support. The contract has a one-year base period and four one-year option periods and a total potential contract value of $308.6 million. The contract award is under protest.
- In July 2019, DynLogistics announced the award of a nine-month task order extension to continue providing base life support and maintenance services in Afghanistan under the LOGCAP IV contract. The extension has a total potential value of $187.8 million.
- In July 2019, DynLogistics announced a six-month contract extension on the Global Intelligence Support Services contract to provide comprehensive engineering and logistics support for ground and air-based intelligence, surveillance and reconnaissance systems. The extension has a total potential value of $33.8 million.
- On July 24, 2019, we issued a conditional notice of optional full redemption to holders of our outstanding 11.875% Senior Secured Second Lien Notes due 2020, originally issued on June 15, 2016. See Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of our refinancing efforts.

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 ALiSS and LOGCAP IV programs are 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		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Fixed-Price	38%	36%	39%	38%
Time-and-Materials	6%	4%	5%	4%
Cost-Reimbursement	56%	60%	56%	58%
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 the remainder of calendar year 2019. The contract type indicated in the table above does not necessarily represent fixed or variable consideration under ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606).

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. In some instances, a third party may subcontract with us in support of their prime contract. When we are engaged as a subcontractor in support of a U.S. government contract, standard U.S. government contracting terms typically flow down to our subcontract, providing us with certain protections and obligations.

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Prime Contractor	99%	97%	99%	97%
Subcontractor	1%	3%	1%	3%
Total	100%	100%	100%	100%

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 and does not include contracts under protest. Funded backlog is equal to the amounts actually appropriated by a customer for payment of goods and services less actual revenue recognized as of the measurement date under that appropriation. Unfunded backlog is the actual dollar value of unexercised, priced contract options and the unfunded portion of exercised contract options. These priced options may or may not be exercised at the sole discretion of the customer. Unfunded backlog does not include future potential task orders expected to be awarded under IDIQ or other master agreement contract vehicles.

Firm funding for our contracts is usually made for one year at a time, with the remainder of the contract period consisting of a series of one-year options. As is the case with the base period of our U.S. government contracts, option periods are subject to the availability of funding for contract performance. Most of our U.S. government contracts allow the customer the option to extend the period of performance of a contract for a period of one or more years.

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

	As Of	
(Amounts in millions)	**June 30, 2019**	**December 31, 2018**
Funded backlog	$ 698	$ 905
Unfunded backlog	2,937	3,147
Total	$ 3,635	$ 4,052

The decrease in backlog as of June 30, 2019 was primarily due to revenue outpacing orders during the six months ended June 30, 2019. As of June 30, 2019, the Company had a significantly higher amount of contracts under protest as compared to December 31, 2018.

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

Results of Operations

Consolidated Three Months Ended June 30, 2019 compared to the Three Months Ended June 30, 2018

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 June 30, 2019 and June 30, 2018.

	Three Months Ended			
(Amounts in thousands)	June 30, 2019		June 30, 2018	
Revenue	$ 487,823	100.0 %	$ 550,361	100.0 %
Cost of services	(428,927)	(87.9)	(476,598)	(86.6)
Selling, general and administrative expenses	(25,952)	(5.3)	(24,670)	(4.5)
Depreciation and amortization expense	(5,879)	(1.2)	(5,974)	(1.1)
Earnings from equity method investees	662	0.1	222	—
Operating income	27,727	5.7	43,341	7.8
Interest expense	(14,332)	(2.9)	(16,083)	(2.9)
Loss on early extinguishment of debt	(852)	(0.2)	—	—
Interest income	1,119	0.2	408	0.1
Other income, net	773	0.2	492	0.1
Income before income taxes	14,435	3.0	28,158	5.1
Provision for income taxes	(9,131)	(1.9)	(3,140)	(0.6)
Net income	5,304	1.1	25,018	4.5
Noncontrolling interests	(151)	—	(209)	—
Net income attributable to Delta Tucker Holdings, Inc.	$ 5,153	1.1	$ 24,809	4.5

Revenue — Revenue for the three months ended June 30, 2019 was $487.8 million, a decrease of $62.5 million, or 11.4%, compared to $550.4 million for the three months ended June 30, 2018. The decrease was primarily due to the completion of the Bureau for International Narcotics and Law Enforcement Affairs, Office of Aviation ("INL Air Wing") extension and the wind down of the T-6 Contractor Operated and Maintained Base Supply ("T-6 COMBS") Bridge contract, partially offset by increased scope on the Air Force Contractor Augmentation Program ("AFCAP") and the CLS Transport contract. 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 June 30, 2019 was $428.9 million, a decrease of $47.7 million, or 10.0%, compared to the three months ended June 30, 2018. The decrease in Cost of services was driven by the decrease in revenue, as discussed above. As a percentage of revenue, Cost of services increased to 87.9% for the three months ended June 30, 2019 compared to 86.6% for the three months ended June 30, 2018. 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 $1.3 million, or 5.2%, to $26.0 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to increased professional fees and legal costs. SG&A as a percentage of revenue increased to 5.3% for the three months ended June 30, 2019 compared to 4.5% for the three months ended June 30, 2018 as a result of the increase in SG&A and decrease in revenue discussed above.

Depreciation and amortization — Depreciation and amortization decreased by $0.1 million, or 1.6%, to $5.9 million during the three months ended June 30, 2019 as compared to $6.0 million for the three months ended June 30, 2018.

Earnings from equity method investees — (Loss) 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”) and Global Linguist Solutions ("GLS").

Interest expense — Interest expense for the three months ended June 30, 2019 was $14.3 million, a decrease of $1.8 million, or 10.9%, compared to the three months ended June 30, 2018. The decrease is primarily due to the reduction in debt due to the $50.0 million voluntary principal payment on the Term Loan on October 19, 2018, the $17.8 million Excess Cash Flow principal payment on the Term Loan on March 19, 2019 and the $30.0 million voluntary principal payment on the Term Loan on June 17, 2019 partially offset by the PIK Interest on our Second Lien Notes.

Loss on early extinguishment of debt — Loss on early extinguishment of debt was $0.9 million during the three months ended June 30, 2019 due to the $30.0 million voluntary principal payment made on the Term Loan on June 17, 2019. Loss on early extinguishment of debt was zero during the six months ended June 30, 2018. The original issue discount on the Term Loan and deferred financing costs associated with the additional prepayment were expensed and recorded to Loss on early extinguishment of debt.

Interest Income — Interest income for the three months ended June 30, 2019 was $1.1 million, an increase of $0.7 million, compared to the three months ended June 30, 2018. The increase is primarily due to more favorable interest rates combined with our higher cash position during the three months ended June 30, 2019.

Other income, net — Other income, net consists primarily of sublease income, gains/losses from foreign currency, asset sales and other items. Other income, net during the three months ended June 30, 2019 was $0.8 million, an increase of $0.3 million compared to the three months ended June 30, 2018.

Provision for income taxes — Our effective tax rate consists of federal and state statutory rates, certain permanent differences and discrete items. For the three months ended June 30, 2019 and June 30, 2018, we reported a tax provision of $9.1 million and $3.1 million, respectively. The effective tax rate for the three months ended June 30, 2019 and June 30, 2018 was 63.2%, and 11.1%, respectively. The effective tax rate for the three months ended June 30, 2019 was driven primarily by increased income taxes in foreign jurisdictions and an increase to the valuation allowance as a result of additional deferred tax assets related to foreign tax credits. The effective tax rate for the three months ended June 30, 2018 was driven primarily by the increase in income before income taxes.

Consolidated Six Months Ended June 30, 2019 compared to the Six Months Ended June 30, 2018

The following tables set forth our unaudited consolidated results of operations, both in dollars and as a percentage of revenue, for the six months ended June 30, 2019 and June 30, 2018:

	Six Months Ended			
(Amounts in thousands)	June 30, 2019		June 30, 2018	
Revenue	$ 968,608	100.0 %	$ 1,084,654	100.0 %
Cost of services	(848,394)	(87.6)	(942,021)	(86.8)
Selling, general and administrative expenses	(51,674)	(5.3)	(50,029)	(4.6)
Depreciation and amortization expense	(11,733)	(1.2)	(12,031)	(1.1)
Earnings from equity method investees	662	0.1	269	—
Operating income	57,469	6.0	80,842	7.5
Interest expense	(29,016)	(3.0)	(33,071)	(3.0)
Loss on early extinguishment of debt	(1,475)	(0.2)	(239)	—
Interest income	2,154	0.2	933	—
Other income, net	1,397	0.1	1,141	0.1
Income before income taxes	30,529	3.1	49,606	4.6
Provision for income taxes	(13,372)	(1.4)	(7,884)	(0.7)
Net income	17,157	1.7	41,722	3.9
Noncontrolling interests	(395)	—	(505)	—
Net income attributable to Delta Tucker Holdings, Inc.	$ 16,762	1.7	$ 41,217	3.9

Revenue — Revenue for the six months ended June 30, 2019 was $968.6 million, a decrease of $116.0 million, or 10.7%, compared to $1,084.7 million for the six months ended June 30, 2018. The decrease was primarily due to the completion of the INL Air Wing extension and the wind down of the T-6 COMBS Bridge contract, partially offset by increased scope on the LOGCAP IV, AFCAP and CLS Transport contracts. 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 six months ended June 30, 2019 was $848.4 million, a decrease of $93.6 million, or 9.9%, compared to the six months ended June 30, 2018. The decrease in Cost of services was driven by the decrease in revenue, as discussed above. As a percentage of revenue, Cost of services increased to 87.6% for the six months ended June 30, 2019 compared to 86.8% for the six months ended June 30, 2018. 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 $1.6 million, or 3.3%, to $51.7 million during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to increased professional fees and legal costs. SG&A as a percentage of revenue increased to 5.3% for the six months ended June 30, 2019 compared to 4.6% for the six months ended June 30, 2018 as a result of the increase in SG&A and decrease in revenue discussed above.

Depreciation and amortization — Depreciation and amortization decreased by $0.3 million, or 2.5%, to $11.7 million during the six months ended June 30, 2019, as compared to $12.0 million for the six months ended June 30, 2018.

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 and GLS.

Interest expense — Interest expense for the six months ended June 30, 2019 was $29.0 million, a decrease of $4.1 million, or 12.3%, compared to the six months ended June 30, 2018. The decrease is primarily due to the reduction in debt due to the $50.0 million voluntary principal payment on the Term Loan on October 19, 2018, the $17.8 million Excess Cash Flow principal payment on the Term Loan on March 19, 2019 and the $30.0 million voluntary principal payment on the Term Loan on June 17, 2019 and a reduction in issued letters of credit partially offset by the PIK Interest on our Second Lien Notes.

Loss on early extinguishment of debt — Loss on early extinguishment of debt was $1.5 million during the six months ended June 30, 2019 due to the $17.8 million Excess Cash Flow principal payment made March 19, 2019 and the $30.0 million voluntary principal payment made on the Term Loan on June 17, 2019. Loss on early extinguishment of debt was $0.2 million during the six months ended June 30, 2018 due to the $54.9 million Excess Cash Flow principal payment made on the Term Loan on March 21, 2018. The original issue discount on the Term Loan and deferred financing costs associated with the additional prepayment were expensed and recorded to Loss on early extinguishment of debt.

Interest Income — Interest income for the six months ended June 30, 2019 was $2.2 million, an increase of $1.2 million, compared to the six months ended June 30, 2018. The increase is primarily due to more favorable interest rates combined with our higher cash position during the six months ended June 30, 2019.

Other income, net — Other income, net consists primarily of sublease income, gains/losses from foreign currency, asset sales and other items. Other income, net during the six months ended June 30, 2019 was $1.4 million, an increase of $0.3 million, or 22.4%, compared to the six months ended June 30, 2018.

Provision for income taxes — Our effective tax rate consists of federal and state statutory rates, certain permanent differences and discrete items. For the six months ended June 30, 2019 and June 30, 2018, we reported a tax provision of $13.4 million and $7.9 million, respectively. The effective tax rate for the six months ended June 30, 2019 and June 30, 2018 was 43.8%, and 15.9%, respectively. The effective tax rate for the six months ended June 30, 2019 was driven primarily by increased income taxes in foreign jurisdictions and an increase to the valuation allowance as a result of additional deferred tax assets related to foreign tax credits. The effective tax rate for the six months ended June 30, 2018 was driven primarily by the increase in income before income taxes, which impacted the valuation allowance.

Results by Segment – Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

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 June 30, 2019 and June 30, 2018. See Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

	Three Months Ended			
	June 30, 2019		June 30, 2018	
(Amounts in thousands)	Revenue	% of Total Revenue	Revenue	% of Total Revenue
DynAviation	$ 234,254	48.0 %	$ 297,454	54.0%
DynLogistics	253,573	52.0	251,246	45.7
Headquarters (1)	(4)	—	1,661	0.3
Consolidated revenue	$ 487,823	100.0	$ 550,361	100.0
	Operating Income (Loss)	Profit Margin (3)	Operating Income (Loss)	Profit Margin (3)
DynAviation	$ 13,440	5.7 %	$ 25,282	8.5%
DynLogistics	23,551	9.3	28,896	11.5
Headquarters (2)	(9,264)		(10,837)	
Consolidated operating income	$ 27,727		$ 43,341	

(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, partially offset by equity method investee income.

(3) Represents segment operating income as a percentage of segment revenue and does not consider Headquarters operating loss.

DynAviation

Revenue of $234.3 million decreased $63.2 million, or 21.2%, for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to the completion of the INL Air Wing extension, the wind down of the T-6 COMBS Bridge contract and the completion of the MD530 subcontract. The decrease in revenue was partially offset by increased scope on the CLS Transport contract.

Operating income decreased to $13.4 million for the three months ended June 30, 2019 as compared to $25.3 million for the three months ended June 30, 2018. The decrease was primarily due to the completion of the INL Air Wing extension and the MD530 subcontract, and the performance of the Contractor Logistics Support: T-34, T-44, T-6 ("CLS T34/44/6") contract and the Progressive Structural Inspection and Depot Level Maintenance contract ("U.S. Coast Guard C-130") for C-130 aircraft. These decreases were partially offset by the performance of the CLS Transport contract. Operating income of $25.3 million for the three months ended June 30, 2018 was primarily due to the timing of an incentive award fee on the CLS T34/44/6 contract and more favorable terms on the T-6 COMBS contract. These increases were partially offset by decreased content on the INL Air Wing program.

DynLogistics

Revenue of $253.6 million increased $2.3 million, or 0.9%, for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to increased scope on the AFCAP and ALiSS contracts, partially offset by the completion of certain contracts.

Operating income decreased to $23.6 million for the three months ended June 30, 2019 as compared to $28.9 million for the three months ended June 30, 2018. The decrease was primarily due to scope reductions on certain contracts and the completion of certain contracts, partially offset by productivity and margin expansion across the segment. Operating income of $28.9 million for the three months ended June 30, 2018 was primarily due to strong performance on our LOGCAP IV program, which included the award of a nine-month extension on our Afghanistan task order, and new task orders under the ALiSS contract.

Results by Segment – Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

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 six months ended June 30, 2019 and June 30, 2018. See Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

	Six Months Ended			
	June 30, 2019		June 30, 2018	
(Amounts in thousands)	Revenue	% of Total Revenue	Revenue	% of Total Revenue
DynAviation	$ 458,625	47.3%	$ 614,686	56.7%
DynLogistics	510,092	52.7	468,770	43.2
Headquarters [1]	(109)	—	1,198	0.1
Consolidated revenue	$ 968,608	100.0	$ 1,084,654	100.0
	Operating Income (Loss)	Profit Margin [3]	Operating Income (Loss)	Profit Margin [3]
DynAviation	$ 23,248	5.1%	$ 51,216	8.3%
DynLogistics	50,650	9.9	48,202	10.3
Headquarters [2]	(16,429)		(18,576)	
Consolidated operating income	$ 57,469		$ 80,842	

(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, partially offset by equity method investee income.

(3) Represents segment operating income as a percentage of segment revenue and does not consider Headquarters operating loss.

DynAviation

Revenue of $458.6 million decreased $156.1 million, or 25.4%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to the completion of the INL Air Wing extension, the wind down of the T-6 COMBS Bridge contract and the completion of the MD530 subcontract. The decrease in revenue was partially offset by increased scope on the CLS Transport contract.

Operating income decreased to $23.2 million for the six months ended June 30, 2019, as compared to $51.2 million for the six months ended June 30, 2018. The decrease was primarily due to the completion of the INL Air Wing extension and the MD530 subcontract and the performance of the CLS T34/44/6 and U.S. Coast Guard C-130 contracts. These decreases were partially offset by the performance of the CLS Transport contract. Operating income of $51.2 million for the six months ended June 30, 2018 was primarily due to more favorable terms on the T-6 COMBS contract and productivity on our CLS T34/44/6 contract. These increases were partially offset by decreased content on the INL Air Wing program.

DynLogistics

Revenue of $510.1 million increased $41.3 million, or 8.8%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018, primarily due to increased scope on the LOGCAP IV, AFCAP and ALiSS contracts, partially offset by the completion of or reduced scope on certain contracts.

Operating income increased to $50.7 million for the six months ended June 30, 2019, as compared to $48.2 million for the six months ended June 30, 2018. The increase was primarily due to higher volume as described above, the completion of certain contracts, and productivity and margin expansion across several contracts. Operating income of $48.2 million for the six months ended June 30, 2018 was primarily due to higher volume on our LOGCAP IV program and ALiSS contract and the performance on the G4 Worldwide Logistics Support contract.

Liquidity and Capital Resources

Cash generated by operations and borrowings available under our 2016 Senior Credit Facility are our primary sources of short-term liquidity. See Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion of our 2016 Senior Credit Facility.

As of June 30, 2019, we had $195.6 million of cash and cash equivalents. Restricted cash includes certain amounts of cash which were deposited as cash collateral in connection with our issued letters of credit. Upon the maturity of the Revolver on July 7, 2019, the letters of credit previously issued under the credit agreement governing the 2016 Senior Credit Facility have continued to remain outstanding and are cash collateralized for the benefit of the letter of credit issuer.

We have no debt retirements scheduled in the upcoming twelve-month period other than the Excess Cash Flow principal payment which might be required (see discussion of Excess Cash Flow annual requirement below). As of June 30, 2019, the $452.1 million carrying value of total debt consists of our Term Loan of $29.5 million which matures on July 7, 2020; our 11.875% senior secured second lien notes of $387.6 million which matures on November 30, 2020; and our Cerberus 3L notes of $35.0 million which matures on June 15, 2026. Our class B revolving facility (the "Revolver") also matured on July 7, 2019. We believe our current cash flow from operations and ability to refinance any indebtedness with upcoming maturities will be sufficient to cover our operating and capital needs for the next twelve months. The Company is currently considering a refinancing of its existing capital structure with a new $70 million senior secured revolving credit facility maturing in 2024 and a new $360 million senior secured term loan facility maturing in 2025. There can be no assurances that any such refinancing will be completed. See further discussion regarding our refinancing efforts in Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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 the inability to refinance or obtain a new revolving facility, could materially impact liquidity and our ability to fund our working capital needs. Failure to meet covenant obligations prior to its scheduled maturity could result in an earlier elimination of access to our 2016 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.

The credit agreement governing the 2016 Senior Credit Facility contains an annual requirement to submit a portion of our Excess Cash Flow as additional principal payments. Based on our annual financial results for the year ended December 31, 2018, after taking account of the voluntary principal payment of $50.0 million on October 19, 2018, we were required to make an additional principal payment of $17.8 million under the Excess Cash Flow requirement by March 26, 2019, which we paid on March 19, 2019. In addition to these payments, we made a $30.0 million voluntary principal payment on the Term Loan on June 17, 2019.

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 and contract assets, net of contract liabilities and customer liabilities, as of the balance sheet date. DSO was 44 and 49 days as of June 30, 2019 and December 31, 2018, respectively, as we continued to focus on managing our customer payment cycles and due to the impact of an advanced payment from a customer during the quarter ended June 30, 2019. We expect cash to continue to be impacted by operational working capital needs, potential acquisitions and interest and principal payments on our indebtedness.

Cash Flow Analysis

(Amounts in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net cash provided by operating activities	$ 60,650	$ 105,762
Net cash (used in) provided by investing activities	(542)	207
Net cash used in financing activities	(47,968)	(55,366)

Cash Flows

Cash provided by operating activities during the six months ended June 30, 2019 was $60.7 million compared to $105.8 million during the six months ended June 30, 2018. Cash provided by operating activities during the six months ended June 30, 2019 was primarily due to our net income and changes in working capital, driven by a reduction in accounts receivable resulting from our continued efficiency in collecting our receivables and the receipt of a customer advance in the second quarter of calendar year 2019, partially offset by an increase to prepaid expenses due to the timing of payments. Cash provided by operating activities during the six months ended June 30, 2018 was primarily due to our net income and changes in working capital, driven by a reduction in accounts receivable and prepaid expenses as well as an increase in accrued expenses and contract liabilities.

Cash used in investing activities during the six months ended June 30, 2019 was $0.5 million compared to cash provided by investing activities of $0.2 million during the six months ended June 30, 2018. Cash used in investing activities during the six months ended June 30, 2019 was primarily due to purchases of capital assets and contributions to GLS, partially offset by returns of capital from Babcock DynCorp Limited ("Babcock") and GLS. Cash provided by investing activities during the six months ended June 30, 2018 was primarily due by returns of capital from Babcock and GLS, partially offset by purchases of capital assets.

Cash used in financing activities during the six months ended June 30, 2019 was $48.0 million compared to $55.4 million during the six months ended June 30, 2018. Cash used in financing activities during the six months ended June 30, 2019 was primarily the result of our Excess Cash Flow and voluntary principal payments. Cash used in financing activities during the six months ended June 30, 2018 was primarily the result of our Excess Cash Flow payment.

Financing

On April 30, 2016, we entered into Amendment No. 5 ("Amendment No. 5") to the 2010 Senior Credit Facility which provided for a new senior secured credit facility (the "2016 Senior Credit Facility") upon the satisfaction of certain conditions. On June 15, 2016, we satisfied the conditions set forth in Amendment No. 5 and the 2016 Senior Credit Facility became effective. The 2016 Senior Credit Facility is secured by substantially all of our assets and guaranteed by substantially all of our subsidiaries.

As of June 30, 2019, the 2016 Senior Credit Facility provided for the following:

- a $29.5 million Term Loan;
- a $85.8 million Revolver; 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 Revolver.

As of June 30, 2019 and December 31, 2018, the available borrowing capacity under the 2016 Senior Credit Facility was approximately $66.5 million and included $19.3 million in issued letters of credit. As of June 30, 2019 and December 31, 2018 there were no amounts borrowed under the Revolver. Amounts borrowed under the Revolver were used to fund operations. The Revolver matured on July 7, 2019 and the Term Loan matures on July 7, 2020. Upon the maturity of the Revolver, the letters of credit previously issued under the credit agreement governing the 2016 Senior Credit Facility have continued to remain outstanding and are cash collateralized for the benefit of the letter of credit issuer. See Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

We incur quarterly interest payments on the Term Loan for borrowings thereunder. In addition, prior to the maturity of the Revolver, we incurred quarterly interest payments on the Revolver comprised of (i) interest for borrowings thereunder, (ii) letter of credit commitments and (iii) unused commitment fees. See Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information related to the 2016 Senior Credit Facility.

The Company is currently considering a refinancing of its existing capital structure with a new $70 million senior secured revolving credit facility maturing in calendar year 2024 and a new $360 million senior secured term loan facility maturing in calendar year 2025. See Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

As of June 30, 2019, the carrying amount of our Second Lien Notes was $387.6 million. Interest on the Second Lien 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 Second Lien Notes is payable in cash and the PIK Interest on the Second Lien Notes is payable in kind, each semi-annually in arrears on January 1 and July 1, commencing on July 1, 2016.

On July 24, 2019, the Company issued a conditional notice of optional full redemption to holders of the Second Lien Notes. All of the $390.5 million outstanding principal amount of the Second Lien Notes will be redeemed. The Total Redemption Price will be 100% of the principal amount (including any increased principal amount of Second Lien Notes resulting from PIK Interest), plus accrued and unpaid cash interest together with an amount of cash equal to all accrued and unpaid PIK Interest, to but excluding the Redemption Date of August 23, 2019 (unless delayed as set forth below). The redemption of the Second Lien Notes is conditioned on the Company’s receipt of net cash proceeds from the proposed entry into a new senior secured term loan facility at a time and date before 10:00 a.m. on the Redemption Date that are sufficient, together with cash on hand, to pay the Total Redemption Price. The redemption of the Second Lien Notes may be delayed until such time as the condition is satisfied or may be rescinded if the condition is not satisfied by the Redemption Date. There can be no assurances that the redemption will be completed.

See Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information related to the Second Lien Notes.

The weighted-average interest rate as of June 30, 2019 for our debt, excluding the Cerberus 3L Notes, was 11.6%, excluding the impact of deferred financing fees. There were no interest rate hedges in place during the three and six months ended June 30, 2019.

On June 15, 2016, DynCorp Funding LLC, a limited liability company managed by Cerberus Capital Management, L.P. ("Cerberus"), entered into a Third Lien Credit Agreement (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 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.

Debt Covenants and Other Matters

The 2016 Senior Credit Facility contains a number of financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. Among other things, the 2016 Senior Credit Facility requires us to maintain a maximum total leverage ratio and a minimum interest coverage ratio. The total leverage ratio is the ratio of 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 ratio was 4.75 to 1.0 for the period ended June 30, 2019. The interest coverage ratio 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 ratio was 1.70 to 1.0 for the period ended June 30, 2019.

The 2016 Senior Credit Facility requires, solely for the benefit of the lenders under the Revolver, for us to maintain minimum liquidity (based on availability of revolving credit commitments plus unrestricted cash and cash equivalents) as of the end of each fiscal quarter ending after December 31, 2017 of not less than $50 million. The credit agreement governing the 2016 Senior Credit Facility also contains customary representations and warranties and events of default.

The Indenture contains a number of non-financial affirmative and negative covenants we believe are usual and customary. These covenants are subject to a number of important exceptions and qualifications as set forth in the Indenture. The Cerberus 3L Notes include non-financial affirmative and negative covenants consistent with the covenants set forth in the Second Lien 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 Second Lien Notes.

We closely evaluate our expected ability to remain in compliance with our financial maintenance covenants. As of June 30, 2019 and December 31, 2018, we were in compliance with our financial maintenance covenants under the 2016 Senior Credit Facility. We expect, based on current projections and estimates, to be in compliance with our covenants in the 2016 Senior Credit Facility (including our financial maintenance covenants), and the covenants in the Second Lien Notes and the Cerberus 3L notes, further discussed below, for the next twelve months.

Non-GAAP Measures

We define EBITDA as Generally Accepted Accounting Principles ("GAAP") net income 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 they eliminate the effects of period to period changes in taxes, costs associated with capital investments and interest expense and are 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 2016 Senior Credit Facility and/or the definition of EBITDA used in the Indenture governing the Second Lien 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 do not reflect the funds generated from operations or actually available for capital investments.

The following table provides a reconciliation of net income 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		Six Months Ended	
(Amounts in thousands)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income attributable to Delta Tucker Holdings, Inc.	$ 5,153	$ 24,809	$ 16,762	$ 41,217
Provision for income taxes	9,131	3,140	13,372	7,884
Interest expense, net of interest income	13,213	15,675	26,862	32,138
Depreciation and amortization (1)	6,796	6,901	13,582	13,721
EBITDA	34,293	50,525	70,578	94,960
Certain income/expense or gain/loss adjustments per our credit agreements (2)	3,401	(270)	5,897	2,710
Employee share based compensation, severance, relocation and retention expense (3)	47	(725)	130	(352)
Cerberus fees (4)	67	55	87	86
Other (5)	298	(708)	706	(1,342)
Adjusted EBITDA	$ 38,106	$ 48,877	$ 77,398	$ 96,062

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

(2) Includes certain unusual income and expense items, as defined in the Indenture and 2016 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) Includes changes due to fluctuations in foreign exchange rates, earnings from affiliates not received in cash, the non-cash portion of straight-line rent expense, 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, 2018. 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, 2018 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 June 30, 2019, 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, 2018.

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 June 30, 2019, we had 93.5% of our debt at a fixed rate and 6.5% at a variable rate. As of December 31, 2018, we had 84.4% of our debt at a fixed rate and 15.6% at a variable rate. Our Second Lien Notes, which had an aggregate principal amount of $387.6 million and $384.7 million, respectively, outstanding as of June 30, 2019 and December 31, 2018 and Cerberus 3L Notes, which had an aggregate principal amount of $35.0 million and $34.1 million, respectively, outstanding as of June 30, 2019 and December 31, 2018, represent our fixed rate debt.

Our Term Loan and Revolver represent our variable rate debt. As of June 30, 2019 and December 31, 2018, the balance of our Term Loan was $29.5 million and $77.3 million, respectively, and we had no borrowings under the Revolver. The Term Loan bears interest, based on our option, equal to either the Eurocurrency Rate or the Base Rate as described below, in each case, plus an applicable rate of (i) 6.00% in the case of Eurocurrency Rate loans and (ii) 5.00% in the case of Base Rate loans. The Revolver bears interest, based on our option, equal to either a Eurocurrency Rate or a Base Rate as described below 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 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 provisions quotations of LIBOR as designated by the Agent from time to time) two London Banking Days prior to the commencement of such interest period. The variable Eurocurrency Rate has as floor of 1.75%. The variable Base Rate is equal to the higher of (a) the Federal Funds Rate 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%. The Term Loan interest rate of 8.39% at June 30, 2019 was made up of a 6.00% applicable rate plus a Eurocurrency Rate of 2.39% and the Term Loan interest rate of 8.47% at December 31, 2018 was made up of a 6.00% applicable rate plus a Eurocurrency Rate of 2.47%. Under the 2016 Senior Credit Facility, based on the principal amount outstanding under the Term Loan as of June 30, 2019 and no outstanding Revolver borrowings, each 25 basis

point increase in LIBOR over 1.75% would result in $0.1 million in additional interest expense annually. See Note 8 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

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 10 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, 2018.

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
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: August 14, 2019

DELTA TUCKER HOLDINGS, INC.

/s/ William T. Kansky

William T. Kansky

Senior Vice President and Chief Financial Officer

Exhibit 31.1

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

I, George Krivo, 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: August 14, 2019

/s/ George Krivo

George Krivo
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: August 14, 2019

/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, George Krivo, 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 June 30, 2019, 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: August 14, 2019

/s/ George Krivo

George Krivo
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 June 30, 2019, 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: August 14, 2019

/s/ William T. Kansky

William T. Kansky
Senior Vice President and Chief Financial Officer