DYNCORP INTERNATIONAL INC.
Form 10-Q
August 05, 2009

Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 3, 2009

or

o **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: 001-32869

DYNCORP INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware	**01-0824791**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3190 Fairview Park Drive, Suite 700, Falls Church, Virginia 22042
(571) 722-0210
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

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 þ No o

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

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 3, 2009, the registrant had 56,251,900 shares of its Class A common stock outstanding.

DYNCORP INTERNATIONAL INC.
TABLE OF CONTENTS

Table of Contents

Disclosure Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements, written, oral or otherwise made, represent our expectation or belief concerning future events. Without limiting the foregoing, the words believes, thinks, anticipates, plans, expect similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties. Statements regarding the amount of our backlog, estimated remaining contract values 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 and technological factors that could cause our business, strategy or actual results or events to differ materially, or otherwise, from those in the forward-looking statements. These factors, risks and uncertainties include, among others, the following: our substantial level of indebtedness; policy and/or spending changes implemented by the new Presidential administration; termination of key U.S. government contracts; changes in the demand for services that we provide; work awarded under our contracts, including without limitation, the Civilian Police, International Narcotics and Law Enforcement and LOGCAP IV contracts; pursuit of new commercial business in the U.S. and abroad; activities of competitors; bid protests; changes in significant operating expenses; changes in availability of or cost of capital; general political, economic and business conditions in the U.S.; acts of war or terrorist activities; variations in performance of financial markets; the inherent difficulties of estimating future contract revenue; anticipated revenue from indefinite delivery, indefinite quantity contracts; 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; and statements covering our business strategy, those described in Risk Factors and other risks detailed from time to time in our reports filed with the 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 statement contained herein will prove to be accurate. We assume no obligation to update the forward-looking statements.

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DYNCORP INTERNATIONAL INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

	For the Fiscal Quarter Ended July 3, 2009	For the Fiscal Quarter Ended July 4, 2008
Revenue	$ 785,177	$ 716,794
Cost of services	(699,093)	(638,389)
Selling, general and administrative expenses	(23,438)	(27,851)
Depreciation and amortization expense	(10,145)	(10,560)
Operating income	52,501	39,994
Interest expense	(14,610)	(14,215)
Earnings from affiliates	1,054	1,117
Interest income	339	344
Other (loss)/income, net	(213)	705
Income before income taxes	39,071	27,945
Provision for income taxes	(12,627)	(9,316)
Net income	26,444	18,629
Noncontrolling interests	(5,799)	(649)
Net income attributable to DynCorp International Inc.	$ 20,645	$ 17,980
Basic and diluted earnings per share	$ 0.36	$ 0.31

See notes to consolidated financial statements.

Table of Contents

DYNCORP INTERNATIONAL INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	As of	
	July 3, 2009	April 3, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 159,293	$ 200,222
Restricted cash	5,700	5,935
Accounts receivable, net of allowances of $348 and $68, respectively	639,470	564,432
Prepaid expenses and other current assets	110,025	124,214
Total current assets	914,488	894,803
Property and equipment, net	18,481	18,338
Goodwill	420,180	420,180
Tradename	18,318	18,318
Other intangibles, net	133,763	142,719
Deferred income taxes	8,430	12,788
Other assets, net	31,965	32,068
Total assets	$ 1,545,625	$ 1,539,214
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$	$ 30,540
Accounts payable	196,198	160,419
Accrued payroll and employee costs	120,500	137,993
Deferred income taxes	9,615	8,278
Other accrued liabilities	117,381	111,590
Income taxes payable	5,437	5,986
Total current liabilities	449,131	454,806
Long-term debt, less current portion	566,383	569,372
Other long-term liabilities	5,618	6,779
Total liabilities	1,021,132	1,030,957
Commitments and contingencies		
Shareholders equity:		
Common stock, $0.01 par value 232,000,000 shares authorized; 57,000,000 shares issued and 56,251,900 and 56,306,800 shares outstanding, respectively	570	570
Additional paid-in capital	366,910	366,620
Retained earnings	164,018	143,373
Treasury shares, 748,100 shares and 693,200 shares, respectively	(9,330)	(8,618)

Accumulated other comprehensive loss	(3,510)	(4,424)
Total shareholders equity attributable to DynCorp International Inc.	518,658	497,521
Noncontrolling interests	5,835	10,736
Total equity	524,493	508,257
Total liabilities and shareholders equity	$ 1,545,625	$ 1,539,214

See notes to consolidated financial statements.

4

Table of Contents

DYNCORP INTERNATIONAL INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Fiscal Quarter Ended	
	July 3, 2009	July 4, 2008
Cash flows from operating activities		
Net income	$ 26,444	$ 18,629
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,424	10,811
Amortization of deferred loan costs	1,000	821
Allowance for losses on accounts receivable	264	
Earnings from affiliates	(1,054)	(1,117)
Deferred income taxes	8,229	(1,609)
Equity-based compensation	866	(803)
Other	(4)	(256)
Changes in assets and liabilities:		
Restricted cash	235	5,236
Accounts receivable	(75,302)	(138,958)
Prepaid expenses and other current assets	14,035	(25,560)
Accounts payable and accrued liabilities	23,131	56,382
Income taxes payable	(2,820)	5,293
Net cash provided by (used in) operating activities	5,448	(71,131)
Cash flows from investing activities		
Purchase of property and equipment	(780)	(1,208)
Purchase of computer software	(514)	(608)
Other assets		365
Net cash used in investing activities	(1,294)	(1,451)
Cash flows from financing activities		
Payments on long-term debt	(34,337)	(1,548)
Purchases of treasury stock	(712)	
Borrowings under other financing arrangements		22,319
Payments of dividends to noncontrolling interests	(10,034)	
Other financing activities		(68)
Net cash (used in) provided by financing activities	(45,083)	20,703
Net decrease in cash and cash equivalents	(40,929)	(51,879)
Cash and cash equivalents, beginning of period	200,222	85,379
Cash and cash equivalents, end of period	$ 159,293	$ 33,500
Income taxes paid (net of refunds)	$ 614	$ 7,023

Interest paid	$	4,599	$	10,866
Non-cash investing activities	$		$	4,265

See notes to consolidated financial statements.

Table of Contents

DYNCORP INTERNATIONAL INC.
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(Dollars and Shares in Thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity Attributable to DynCorp International Inc.	Noncontrolling Interests	Total Equity
Balance at April 3, 2009	56,307	$ 570	$ 366,620	$ 143,373	$ (8,618)	$ (4,424)	$ 497,521	$ 10,736	$ 508,257
Comprehensive income (loss):									
Net income				26,444			26,444		26,444
Interest rate swap, net of tax						566	566		566
Currency translation adjustment, net of tax						348	348		348
Comprehensive income				26,444		914	27,358		27,358
Noncontrolling interests				(5,799)			(5,799)		(5,799)
Comprehensive income attributable to DynCorp International Inc.				20,645		914	21,559		21,559
Net income and comprehensive income attributable to noncontrolling interests								5,799	5,799
DIFZ financing, net of tax			112				112		112
Treasury stock	(55)				(712)		(712)		(712)
Equity-based compensation			191				191		191
Tax benefit associated with equity-based			(13)				(13)		(13)

compensation									
Dividends declared to noncontrolling interests								(10,700)	(10,700)
Balance at July 3, 2009	56,252	$ 570	$ 366,910	$ 164,018	$ (9,330)	$ (3,510)	$ 518,658	$ 5,835	$ 524,493

See notes to consolidated financial statements.

Table of Contents

DYNCORP INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Accounting Policies

Basis of Presentation

DynCorp International Inc., through its subsidiaries, is a leading provider of specialized mission-critical professional and support services for the U.S. military, non-military U.S. governmental agencies and foreign governments. Our specific global expertise is in law enforcement training and support, security services, base and logistics operations, construction management, aviation services and operations and linguist services. We also provide logistics support for all our services. References herein to DynCorp International , the Company , we , our , or us refer to Dy International Inc. and its subsidiaries unless otherwise stated or indicated by the context.

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

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, we believe that all disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto included in the Company s fiscal 2009 Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the SEC) on June 11, 2009.

We report our results on a 52/53 week fiscal year with the fiscal year ending on the Friday closest to March 31 of such year (April 2, 2010 for fiscal year 2010 which is a 52 week fiscal year). The fiscal quarter ended July 3, 2009 was a 13-week period from April 4, 2009 to July 3, 2009. The fiscal quarter ended July 4, 2008 was a 14-week period from March 29, 2008 to July 4, 2008.

In the opinion of management, all adjustments necessary to fairly present our financial position at July 3, 2009 and April 3, 2009, the results of operations for the fiscal quarters ended July 3, 2009 and July 4, 2008, and cash flows for the fiscal quarters ended July 3, 2009 and July 4, 2008, have been included. The results of operations for the fiscal quarter ended July 3, 2009 are not necessarily indicative of the results to be expected for the full fiscal year or for any future periods. We use estimates and assumptions required for preparation of the financial statements. The estimates are primarily based on historical experience and business knowledge and are revised as circumstances change. However, actual results could differ from the estimates.

As a result of the implementation of Statement of Financial Standards (the FASB) No. 160 Noncontrolling Interests in Consolidated Financial Statements (SFAS No. 160), certain prior year amounts have been reclassified to conform to the current year presentation. This included moving the $10.7 million noncontrolling interests balance (previously Minority Interest) as of April 3, 2009 out of the mezzanine section of the balance sheet and into the equity section. Such reclassifications have no impact on previously reported net income attributable to DynCorp International Inc.

Principles of Consolidation

The consolidated financial statements include the accounts of both our domestic and foreign subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Generally, investments in which we own a 20% to 50% ownership interest are accounted for by the equity method. These investments are in business entities in which we do not have control, but have the ability to exercise significant influence over operating and financial policies and are not the primary beneficiary as defined in FASB Interpretation No. 46R (Revised 2003), *Consolidation of Variable Interest Entities* (FIN No. 46R). We have no investments in business entities of less than 20%.

Table of Contents

We have ownership interests in three active joint ventures that are not consolidated into our financial statements as of July 3, 2009, and are accounted for using the equity method. We also have open joint venture agreements in inactive entities that are not material to our financials. Economic rights in active joint ventures are indicated by the ownership percentages in the table listed below.

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

In fiscal year 2009, we sold 50% of our ownership interest in our previously wholly owned subsidiary, DynCorp International FZ-LLC (DIFZ), for approximately $9.7 million. DIFZ was previously a wholly owned subsidiary and, therefore, consolidated into our financial statements. The sale was accounted for as a capital transaction reflected in additional paid in capital. We have financed the transaction by accepting three promissory notes provided by the purchaser. Repayment of the notes included a $0.5 million dollar payment in fiscal year 2009, with the remainder to be repaid through a portion of the purchaser s DIFZ quarterly dividends. A dividend was declared in June 2009, a portion of which reduced our note receivable balance. This dividend is expected to be paid in our second quarter of fiscal year 2010. Additionally, the next dividend is scheduled to be declared and paid during the second quarter ending October 2, 2009. As of the date of the transaction, it was determined that we were the primary beneficiary as defined in FIN No. 46R.

The following table sets forth our ownership in joint ventures that are consolidated into our financial statements as of July 3, 2009. For the entities list below, we are the primary beneficiary as defined in FIN No. 46R.

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

Noncontrolling Interests

We hold various ownership interests in a number of joint ventures as disclosed in Note 1 to our fiscal 2009 Annual Report on Form 10-K as filed with the SEC on June 11, 2009. We are required by GAAP to consolidate certain joint ventures for which we do not hold a 100% interest. We record the impact of our joint venture partners interests in these consolidated joint ventures as noncontrolling interests. Noncontrolling interests is presented on the face of the income statement as an increase or reduction in arriving at net income attributable to DynCorp International Inc. The presentation of noncontrolling interests on the balance sheet is located in the equity section.

Property and Equipment

Depreciation expense was $1.0 million and $0.8 million for the quarters ended July 3, 2009 and July 4, 2008, respectively. Accumulated depreciation was $9.4 million and $8.6 million as of July 3, 2009 and April 3, 2009, respectively.

Accounting Policies

There have been no material changes to our significant accounting policies as detailed in Note 1 of our fiscal 2009 Annual Report on Form 10-K filed with the SEC on June 11, 2009, except for the accounting rule changes associated with noncontrolling interests, which only affects presentation and disclosure. See *Pronouncements Implemented* below.

Accounting Developments

Pronouncements Implemented

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements , which is an amendment of Accounting Research Bulletin No. 51. This statement covers several areas including (i) defining the way the noncontrolling interests should be presented in the financial statements and notes, (ii) clarifies that all transactions between a parent and subsidiary are to be accounted for as equity transactions if the parent retains its controlling financial interest in the subsidiary and (iii) requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This statement is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We adopted this statement in the first quarter of fiscal year

2010, which changed our presentation of noncontrolling interests on our consolidated statements of income, consolidated balance sheets and consolidated statements of shareholders equity. We have applied SFAS No. 160 retrospectively to the presentation of our balance sheets, statements of income and statement of equity.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). This statement replaces FASB Statement No. 141, Business Combinations. This statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting (which SFAS No. 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Additionally, this statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the statement. Furthermore, this statement also requires acquisition related costs to be expensed as incurred. This statement has been adopted in the first quarter of fiscal year 2010.

In December 2007, the FASB ratified EITF 07-1, Accounting for Collaborative Arrangements . EITF 07-1 provides guidance for determining if a collaborative arrangement exists and establishes procedures for reporting revenue and costs generated from transactions with third parties, as well as between the parties within the collaborative arrangement, and provides guidance for financial statement disclosures of collaborative arrangements. EITF 07-1 became effective for us in the first quarter of fiscal year 2010. The adoption of EITF 07-1 did not have a material effect on our consolidated financial position or results of operations. We have included additional disclosure on a collaborative arrangement in Note 12.

In April 2008, the FASB issued Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP No. 142-3). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We will apply FSP No. 142-3 for any applicable events and transactions in fiscal year 2010.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. The adoption of FSP EITF 03-6-1 did not have, and is not expected to have, a material impact on basic or diluted earnings per share.

In May 2009, the FASB issued Statement of Financial Standards No. 165 Subsequent Events (as amended) (SFAS No. 165), which provides guidance on management s assessment of subsequent events. The new standard clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. Management must perform its assessment for both interim and annual financial reporting periods. SFAS No. 165 requires management to disclose, in addition to the disclosures in Auditing Standards Section 560, the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. SFAS No. 165 is effective prospectively for interim or annual financial periods ending after June 15, 2009. We have adopted this guidance through enhanced disclosures for any applicable events and transactions as further described in Note 15.

Pronouncements Not Yet Implemented

In April 2009, the FASB issued FSP FAS 141(R) Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies (FSP FAS 141(R)). This clarifies guidance pertaining to contingencies. FSP FAS 141(R) states that an acquirer shall recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of an asset acquired or a liability assumed in a business combination that arises from a contingency cannot be determined during the measurement period, an asset or a liability shall be recognized at the acquisition date if both of the following criteria are met which are (i) information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. We will apply FSP FAS 141 (R) for any applicable events and transactions in fiscal year 2010.

In June 2009, the FASB issued Statement of Financial Standards No. 167, Amendments to FASB Interpretation 46(R) (SFAS No. 167). This statement amends the guidance for (i) determining whether an entity is a variable interest entity (VIE), (ii) the determination of the primary beneficiary of a variable interest entity, (iii) requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and (iv) changes the disclosure requirements in FIN 46(R)-8. This Statement is effective as of our first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are currently evaluating the future impact to SFAS No. 167 on our financial statements.

In June 2009, the FASB issued SFAS No. 168, *The* FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (SFAS No. 168). This standard will replace SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162), and establishes only two levels of GAAP, authoritative and non-authoritative. The codification will become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. As the codification was not intended to change or alter existing GAAP, it will not have any impact on our consolidated financial statements. All other non-grandfathered, non-SEC accounting literature not included in the codification will become non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009.

Note 2 Earnings Per Share

Basic earnings per share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per share is based on the weighted average number of common shares outstanding and the effect of all dilutive common stock equivalents during each period. We did not have any dilutive stock equivalents during the periods presented.

As discussed in Note 1, we adopted FSP EITF 03-6-1 during our first quarter of fiscal year 2010. Under the FSP, our unvested restricted stock unit awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and, therefore, are included in the computation of basic earnings per share pursuant to the two-class method. The FSP has been applied retrospectively to all periods presented.

The following table reconciles the numerators and denominators used in the computations of basic and diluted earnings per share:

	For the Fiscal Quarter Ended	
(Amounts in thousands, except per share data)	**July 3, 2009**	**July 4, 2008**
Numerator		
Net income attributable to DynCorp International Inc.	$ 20,645	$ 17,980
Less undistributed earnings allocated to participating securities	(112)	(57)
Undistributed earnings allocated to common stock	$ 20,533	$ 17,923
Denominator		
Weighted average common shares basic and diluted	56,258	57,000
Basic and diluted earnings per share	$ 0.36	$ 0.31

Note 3 Goodwill and Other Intangible Assets

As announced on April 6, 2009, we changed from reporting financial results on our three segments utilized in fiscal year 2009 to reporting under three new segments, beginning with fiscal year 2010. Under the new organizational alignment, the three prior business segments of International Security Services (ISS), Logistics and Construction Management (LCM) and Maintenance and Technical Support (MTSS) are realigned into three segments, two of which, Global Stabilization and Development Solutions (GSDS) and Global Platform Support Solutions (GPSS) are wholly-owned, and a third segment, Global Linguist Solutions (GLS), is a 51% owned joint venture.

Table of Contents

The goodwill carrying value was reallocated to the three new operating segments using a relative fair value approach based on the new reporting unit structure. The GLS segment has no goodwill carrying value as this distinct service line came into existence after the legacy goodwill carrying value was established. The change in presentation of our goodwill balance by operating segment from April 3, 2009 to July 3, 2009 is as follows:

(Dollars in thousands)	ISS	LCM	MTSS	Total
Goodwill balance as of April 3, 2009	$ 300,094	$ 39,935	$ 80,151	$ 420,180

All of the contracts that made up the ISS and LCM operating segments were realigned into the GSDS operating segment except for GLS, which became a unique operating segment and the Specialty Aviation & Counter Drug strategic business area (SBA), which was realigned into the GPSS operating segment. In addition to the Specialty Aviation & Counter Drug SBA, all legacy MTSS programs were realigned into the GPSS operating segment.