



Men, Money and Munitions



Dear Delegates,

We would like to extend you all our sincerest welcome to the Brown University Crisis Simulation 2012 and the Men, Money and Munitions Corporate Crisis Committee. Our names are Angad Kochar and Michael Perchonok, and we are excited to have the honor of serving as your crisis directors this year! We are both seniors at Brown University concentrating in Neuroscience and Applied Math–Economics, respectively. Both of us have been heavily involved in Brown University Model UN since our freshman year and have also held chair and secretariat roles in our high school conference, BUSUN.

Men, Money and Munitions is new territory for us, and we are both really excited to see it come to fruition this March. We have worked hard to develop a unique committee environment for you to take part in and we truly hope that you all enjoy your experience doing so. Each of you will be representing a member of the executive board of The Atlas Group, a fictional corporation that relies on government defense contracts for the majority of its revenue. Throughout the course of the weekend, you will encounter a number of situations that require either your personal attention, or the attention of the entire board and you will be tasked with navigating the decisions regarding which constitutes the former and which the latter while responding appropriately.

Our committee is very small and unique, and that can make for an extremely engaging conference experience. However, it also requires that each member be fully prepared to participate actively and realistically in debate. Remember to do your best to represent the ideals, values, actions and prejudices of the committee member you are assigned to represent. Once you are assigned your positions, each of you will receive an additional supplement to this guide that will contain personal background on your character, as well as a prompt for your position papers.

Part of the reason that this committee has been recommended for experienced crisis delegates is a result of the format we have chosen. As the executive body for The Atlas Group, the CEOs, shareholders, regulators and the board of directors can hold you accountable, both as a group and individually, for any actions taken. Furthermore, the Atlas Group is a publicly owned company and, all other factors aside, the primary focus of the committee will be the financial bottom line.



We want to stress that the information contained within this guide is by no means exhaustive. It is intended as a starting point and guide for further research and will not provide sufficient information for you to successfully engage in committee sessions. For matters pertaining to the Atlas Group specifically, this guide and your supplement should contain all of the necessary resources. Keep in mind however, that while the Atlas Group may be fictional, it exists in a very real economy with very real competitors and regulators. It is your job to be familiar with anything that might prove to be relevant for discussion. If at any point in the coming weeks you have questions that concern The Atlas Group, the committee, BUCS or anything else we can help you with, please feel free to email us and we will respond as soon as possible.

With that said, welcome to Brown, BUCS and what will hopefully be a great conference experience. We can't wait to see you all this March.

Sincerely,

Angad Kochar
Michael Perchonok
Men, Money and Munitions Crisis Directors
munitions@browncrisis.org

Background

Defense Contractors

During times of war, nations require the production of goods and services that are otherwise unnecessary (or in the modern day, *less necessary*) during times of peace. From swords and shields to artillery and armor, there is a history of calling upon civilian industrial processes to support the war effort. With the advent of pre-WWI military technology however, the complexity and detail associated with advancement exceeded the existing manufacturing capacity of their respective economies. This necessitated the creation of distinct and independent industries to support defense activities. These new industries were the beginning of the modern military-industrial complex.

“Responsible for the sweeping changes in our industrial-military posture, has been the technological revolution during recent decades. In this revolution, research has become central; it also becomes more formalized, complex, and costly. A steadily increasing share is conducted for, by, or at the direction of, the Federal government. Today, the solitary inventor, tinkering in his shop, has been overshadowed by task forces of scientists in laboratories and testing fields. In the same fashion, the free university, historically the fountainhead of free ideas and scientific discovery, has experienced a revolution in the conduct of research. Partly because of the huge costs involved, a government contract becomes virtually a substitute for intellectual curiosity.”

The above is from President Eisenhower’s farewell address on January 17, 1961. It was this speech that coined the term “military-industrial complex”, used now to refer to the complicated network of government agencies and industrial organizations that contribute to the “defense” of the United States¹. Eisenhower acknowledged the necessity and value of government defense contracts with private institutions. He also warned of the intricacy and delicacy of the balance between a government responsible for the defense of a nation and the private industries that provide it with the tools to do so.

Since Eisenhower’s presidency, the reliance on contractors in government has increased significantly and along with it, the industries’ profitability and influence over policy has greatly increased. These industries provide everything from equipment, such as air superiority vehicles and transport technologies, to security and surveillance services. The United States Department of Defense (DoD) offers over \$300 billion worth of contracts each year providing immense market opportunity for successful companies. So much so that the most successful defense contractors, Lockheed Martin, Boeing and Northrop Grumman to name a few, make over \$2 billion in profit annually, the vast majority from US government contracts.

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¹ We say “defense” in quotes not to diminish the importance of these activities but to draw attention to the fact the word defense in the context of the state refers to a broader range of activities (including aggressive maneuvers) that do not fall into the conventional definition of the word.

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With the rapid growth of the defense industry, and the increased reliance on them to produce cutting edge technologies to maintain US military supremacy, the government has formed a number of agencies and implemented policies to ensure that national security is not compromised by these dealings. Perhaps the most important agency in this regard is the Defense Contract Management Agency (DCMA), which oversees the majority of DoD contracts. It is estimated that the DCMA supervises over 340,000 active contracts with a net value of approximately \$2 trillion. The DCMA, in conjunction with other agencies and policies, ensure that the massive US defense industry works solely in the interest of the US government. To that extent, the technologies and services produced by defense contractors can only be provided to individuals or foreign governments at the discretion of US policy-makers².

Private Military Companies

Mercenaries, soldiers who provide their services not by obligation but for their own personal financial gain, are recorded to have been used in societies as early as ancient Egypt. These so called “soldiers of fortune” have an extensive history of involvement in armed conflicts. In 1977, the international community ratified Protocol I, an amendment to the Geneva Conventions that provides the most widely recognized definition of mercenaries. More notably however, it excludes them from the protections the Conventions allow to combatants and prisoners of war. The USA is not one of the countries that endorsed Protocol I.

The traditional mercenary no longer plays a large role in international conflicts. They continue to exist primarily on the African continent, most recently suspected to be involved in the 2011 Libyan civil war. That said, the essence of the mercenaries of old has evolved into a much more prevalent existence, the modern private military company (PMC).

PMC's (known by many other names) provide a number of services to contracting governments, from diplomatic security details to military training services. Their use in recent years has increased exponentially. According to the Washington Post, 2006 saw more than 100,000 PMC employees deployed in Iraq accompanying 140,000 US troops.

The PMC industry is massive, on the order of hundreds of billions of dollars annually, and it is growing. This growth is despite a number of recent controversies involving individual contractors that has caused increase scrutiny on the industry as a whole. Perhaps the most well known of these controversies involves Academi, formerly known as Blackwater Worldwide. A number of Blackwater employees were deployed to Iraq, performing primarily security details and training of the new Iraqi police forces. During the course of one of these details, Blackwater employees allegedly open-fired on civilians in a public square, killing 17 civilians. A number of other controversial activities have been attributed to the PMC industry, including being implicated in the Abu Ghraib prisoner abuse scandal.

² Interestingly, it is worth noting that many of these policy makers are arguably answerable to many of the defense contractors. Many of these companies have extremely powerful lobbying organizations and exercise significant influence over national legislation.

The use of PMCs in international operations is associated with a number of legal and ethical issues. Because contractors do not fall into the US Uniform Code of Military Justice they are not subject to US military prosecution for unlawful acts committed in the course of duty. They may be subject to the laws of the countries in which they operate, however as civilians supporting military actions, their home governments will likely provide some sort of protection from such prosecution and in many cases the country in question offers them indemnity as was the case in Iraq. Furthermore, the definition of a mercenary provided by Protocol I does not apply to contractors, and as such, they gain many of the protections allowed by the Geneva Convention. This has drawn a lot of attention from the international community in recent years including criticisms of Protocol I as insufficient as well as increasing discussion in the United Nations and other forums as to the roles and responsibilities of PMCs in future conflict.

Criticism aside, it is widely recognized that PMCs are necessary to the security of personnel operating on foreign soil as well as to the training and operations of military services both domestic and abroad. PMCs allow the government to recruit professional expertise to perform difficult, often life-threatening jobs, without the requirements of full-time employment, a vital service to the military community.

Current Situation

The US DoD offers over 70% of its annual budget to non-government parties in the form of contracts. This makes the defense contract industry one of the most lucrative world-wide, over \$300 billion annually. The government has a number of supervising authorities to ensure compliance with these contracts, however misconduct is often overlooked, causing increased scrutiny by the international community. Furthermore, the withdrawal from Iraq and reduced operations in Afghanistan presents the problem of a potentially shrinking market for PMCs and defense contractors alike. Additionally, the current economic environment in Europe and the United States may be prohibitive to the growth of the industry, having caused many governments to revise their budget allowances and reduce defense spending.

The Atlas Group Executive Group

Throughout the course of this conference each of you will serve as a member of the executive board of The Atlas Group. You will be assigned specific roles for which you may be held accountable and you will also be expected to provide general input and insight into operations. This executive board serves as the primary advisory body to the CEOs of Atlas Group. Each of you has been approved for Secret Level Clearance, while many of you have Top Secret Sensitive Compartmented Information (TS/SCI) clearances for matter pertaining to Atlas operations. The current makeup of this advisory board is as follows; please remember however that this is subject to change prior to and during the conference at the discretion of the CEOs.

Members of the Executive Board:

Melvin Harris – Chief Financial Officer (CFO): Tasked with supervising the financial status of the Atlas Group. Supervises appropriations and responsible for monitoring and accounting for overall financial performance.

Dr. April Diaz – Chief Research Officer (CRO): Oversees cutting edge research and development. Responsible for cooperating with division heads to design proposals and produce prototypes.

Peng Yuan – Chief Communications Officer (CCO): Responsible for all public communications, includes public and investor relations.

Thorsten Bohm – Chief Information Security Officer (CISO): Responsible for the security of all internal company information. Serves as the chief security officer of the organization and reports directly to the CEOs. Also responsible for auditing the executive staff.

Dr. Eleanor Fransson – Chief Strategy Officer (CSO): Responsible for assisting the CEOs with overall strategic vision. Expert in business analytics.

Jamie Coles – Chief of Competitive Intelligence (CCI): Responsible for obtaining, maintaining and responding to information on competitor activities.

Dr. Ajay Sagar – Executive Vice President of Aeronautics (EVP-A)

Dr. Talia Philips – Executive Vice President of Electronic Systems (EVP-ES)

Dr. Marie Sipova – Executive Vice President of Information Systems (EVP-IS)

Arnold Clark – Executive Vice President of Military Services (EVP-MS)

EVPs are the highest-level executives in their respective divisions and are independently responsible for the strategic and logistic direction of their departments.



Rules of Procedure

As an executive board of a company, the discussion will not be constricted to the rules of parliamentary procedure. While the format of debate may change depending of the circumstances at the discretion of the chair (e.g., speeches, round robins, Q&A), it will most often proceed in an informal arrangement resembling a moderated caucus. Moderation of the debate may be suspended anytime at the request of the board members or the chair. Members of the committee may also propose temporary changes of the structure at any time.

With regard to the scope of discussion, this board has executive authority over all matters relating to Atlas Group operations. That said; keep in mind that actions taken by the board are subject to approval or scrutiny by the CEOs, the Board of Directors, industry regulators, and to some extent shareholders. Furthermore, individuals have authority to conduct operations within the scope of their role in the company without the approval of the entire board. Do so with caution however, as you will be held individually accountable for any actions taken in this way.

As a board, the primary products of discussion will take the form of strategy documents or proposals, press releases, official communications, executive orders and in the case of any personnel operating in military capacity, action orders. Individual members of the council may also produce any of the above, with two exceptions: action orders can only be issued by the CEOs or EVP-MS and communications made by individuals are not considered official communications representing the Atlas Group.

Both before and during the course of committee, you will have access to external resources that may aid you or the board in making decisions. At any time you may request additional information about the company, its operations or other necessary knowledge by writing us an email prior to the conference or submitting it in writing to the chair. These requests may be for everything from competitive intelligence to information from areas of the Atlas Group not represented on the executive board, such as General Counsel or Human Resources.

Voting procedure will take place whenever the board would like to make an official recommendation or finalize one of the documents mentioned above. Again, due to the nature of the committee, it may be formal or informal. In some cases the chair may require unanimity, in others he may ask a delegate to explain their reasoning for voting in a particular way.

Finally, the passage of time in committee will be made clear and may be of importance. Do not be surprised if over the course of the conference the simulation spans a year or more.

The Atlas Group - “So that Security and Liberty May Prosper Worldwide”

History

Sir Raj Kochar founded Kochar Industries in 1933 as an aerospace and electrical systems engineering firm based out of the United Kingdom. Kochar Industries was very strong in the research, design, development, manufacture, and integration of advanced technology systems and products. In 1938, Kochar moved their offices to the United States in order to expand their manufacturing capacity. A move that proved very profitable when their operational excellence and detailed planning allowed them to win many government contracts leading up to and during WWII. Their inventions and performance during the war cemented their position with the Department of Defense (DoD), making them one of the preferred U.S. government defense contractors.

Mikhail Perchonok founded BGK CORP. in 1971 as a military consulting firm. Perchonok was former KGB and defected from the USSR to the United States in 1967. His experience in Soviet military intelligence made his firm one of the most sought after resources by the U.S. government. By the end of the Cold War, BGK CORP had grown from a small consulting firm to one of the largest providers of military services to the US and its N.A.T.O allies.

In the year 2000, BGK CORP. and Kochar Industries merged to create The Atlas Group. By the time of the merger, both companies were among the top firms in their industries. Kochar Industries was routinely winning defense contracts for a variety of engineering and technology projects. Their most successful product line, the KI-2000 series, was a series of fighter jets created for the DoD during the heightened tensions with the Soviet Union. BGK employed thousands of skilled individuals to perform a variety of military and security services for its clients, the largest of which was the DoD. The current CEOs, Angad Kochar and Michael Perchonok, who, having met during their undergraduate careers at Brown University, saw the prospect of immense financial reward in a merger. They agreed to maintain shared control over the newly formed company, now known as the Atlas Group.

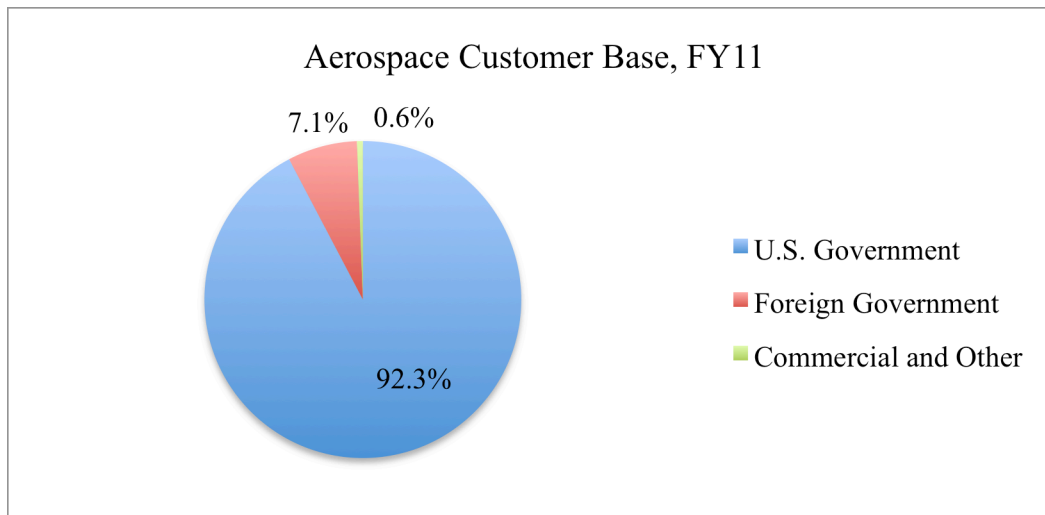
The merger of these two giants created the largest military contractor/servicer in U.S. history. In 2011, The Atlas Group received a whopping 14% of all DoD contracts awarded, by revenue. The next highest contractor received 8%. Consequently, about 85%-90% of The Atlas Group's revenue was generated by U.S. Government contracts (the remainder is primarily composed of foreign governments, with some commercial clients). The group has become a virtual supermarket for the U.S. military, providing a broad range of management, engineering, technical, scientific, logistic, information, private military and firearm services.

Business Segments

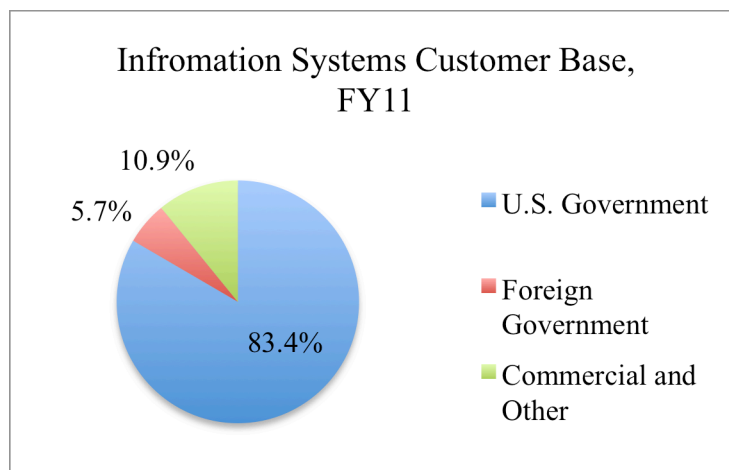
The Atlas Group operates four distinct business segments: Aerospace, Information Systems, Electronic Systems, and Military Support Services. For more historical information on the revenues, financial results and profitability of each segment, see attached statement of earnings at the end of this background guide.

Aerospace

Aerospace was the largest business segment, by sales, in 2011. This segment is engaged in the research, design, manufacture, integration and support of military aircraft and related technologies. The Atlas Group is currently in various stages of development of these technologies, including but not limited to, combat superiority, transport, bombers, tankers, reconnaissance, and unmanned aircraft. Some of the largest and most lucrative programs in this segment include: the PA-21 Blackjack stealth fighter, PA-73 stealth fighter, T-33 Airtrain transport aircraft, and Thomas-42 tanker aircraft. Atlas is currently working with the DoD to develop several confidential, top-priority aircraft, including the PA-101 new-age stealth fighter (Codename: Gryffin) and the USA-1 (Codename: BaldEagle) unmanned, high-altitude, reconnaissance, bomber aircraft.

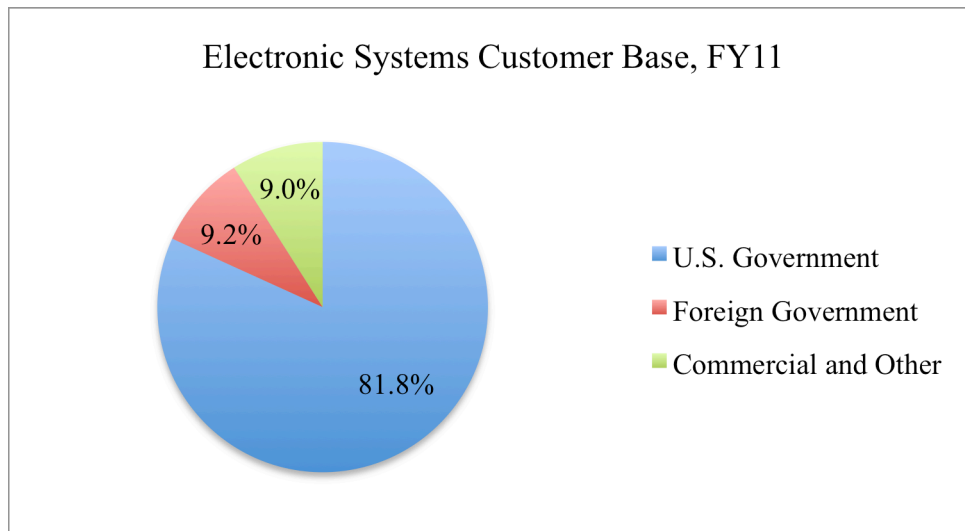
Information Systems

Develops and supports Information Technology (IT) solutions for a variety of clients. These solutions include hardware and software, as well as expert support and management of these systems. Some of the functions of these custom systems and programs include FAA infrastructure and flight management software, analytic software for intelligence clients, secure systems for defense and intelligence services, global positioning systems (GPS), and communication management systems for soldiers and military personnel.



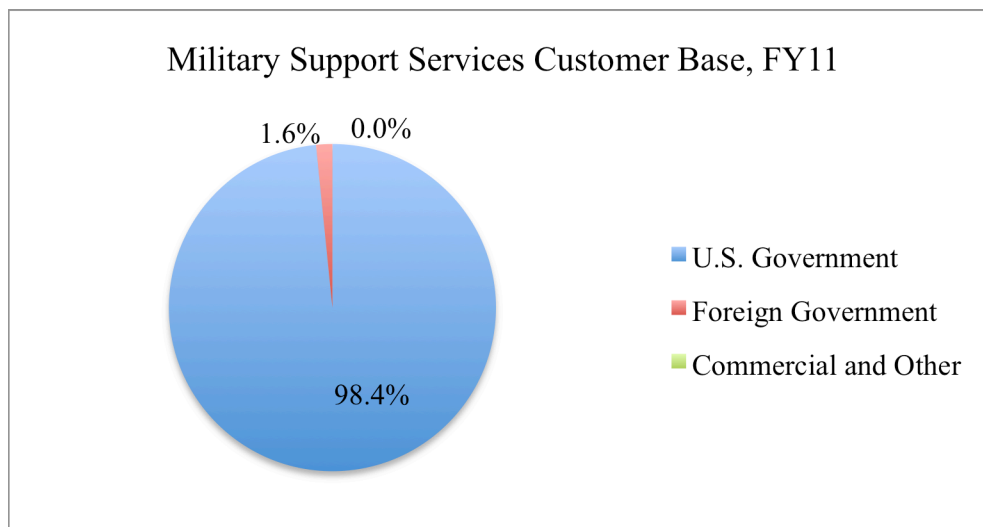
Electronic Systems

This segment manages, develops, produces and integrates hardware and software for the execution and readiness of government agency resources. Products include various sensors and controls for land vehicles, airplanes, navel vessels, and missile guidance systems. In addition, a variety of missile defense, port and airport management systems are produced and constantly refined and improved. If it runs on electricity and has useful military or intelligence purposes, The Atlas Group manufactures and sells it.



Military Support Services

The Military Support Services segment finds, hires, and trains professional and support personnel and provides their services to U.S. and foreign government agencies that choose to contract these tasks. These services include, but are not limited to, unarmed security, armed security, base management, facilities management, IT services, surveillance, intelligence gathering, training, logistics, maintenance and repairs, base support, translation, and disposal of weapons and explosives. In addition, Military Support Services sells the U.S. military firearms and explosives upon request.



Unique Business Risks of Working with the U.S. Government

The biggest risk that The Atlas Group faces today stems from the fact that 85%-90% of its business is generated from U.S. Government contracts. This subjects the group to changing governmental environments, as well as enhanced federal scrutiny of contracts and products. If Atlas falls out of favor with the U.S. Government and is “black-listed”, it could lead to severe losses in sales and profits. The DoD and other federal agencies could refuse to contract Atlas for future projects and the group could quickly lose its dominant market share and find itself in bankrupt.

By having one client make up the lion's share of Atlas' revenue, the group is subject to the budgetary and fiscal concerns of Congressional appropriations. Congress sets defense and non-defense budgets on a fiscal year basis, taking into account spending priority, tax revenues and government debt. A shift in spending priority for Atlas' programs or a unilateral cut across the board would have adverse effects on the group's business and financial performance. Due to the diverse range of products and services that Atlas offers the U.S. Government, it is unlikely that the reduction of any specific program or contract would have a large effect on the company's performance, but discontinuation of multiple projects could significantly impact long-term performance. Budget cuts and program priority reductions could also drive the U.S. Government to engage other, less expensive firms for similar products and services or fund other replacement programs at lower levels.

Due to the critical and complex nature of the products we are contracted to develop, The Atlas Group faces heavy oversight and scrutiny by the DoD and/or other government agencies commissioning their projects. Significant delays, functionality challenges, or financial miscalculations could adversely affect our reputation and deter those agencies from engaging in future contracts with the group. Non-performance or quality-control issues also undermine the reputation of The Atlas Group brand and could lead to lower value contracts being awarded to the group.

The U.S. Government heavily regulates all of The Atlas Group's businesses. By U.S. law, all companies that deal with U.S. Government agencies and military branches are subject to numerous regulations. A violation of a law could have detrimental effects on the reputation of The Atlas Group, result in fines, termination of contracts and/or bans from bidding on future contracts. The U.S. Government, by law, may terminate *any contract at any time for any reason* so The Atlas Group cannot afford to disappoint.

In addition to laws and regulations, U.S. Government agencies, like the Defense Contract Audit Agency (DCAA) routinely audit and investigate The Atlas Group's contracts, reporting, costs, compliance and performance. These reviews are thorough and cover the adequacy of Atlas' performance in accordance with internal agency policies regarding: subcontracting, management, purchasing of materials, estimating, compensation, accounting, budgeting, employment, billing, and information management. If an audit exposes improper or illegal activities, Atlas would be liable for any contractual, civil or criminal penalties and sanctions. This could result in the termination of contracts, forfeiture of fees already paid to Atlas, fines, legal proceedings and bans from bidding on contracts in the future.

Due to the novelty and complexity of the technologies The Atlas Group develops and delivers, these technologies may fail and cause physical harm, loss of life or property damage. This could cause liabilities and legal proceedings against Atlas that is not covered, either wholly or partially, by Atlas's insurance policies.

Since The Atlas Group provides services in the form of personnel deployed on-site to unstable areas and regions of military conflict, there are a considerable amount of risks and hazards for our employees. An accident or incident involving one of our employees could cause serious injury, property damage, or result in loss of life; either that of the employee(s) involved, other Atlas employees, U.S. military personnel, or third-party civilians, military or political figures. If the incident is not insured, it would likely have adverse financial results on the company and could result in operational losses. Even if the incident is insured, it could cause reputational damage to the Atlas brand and could evoke public outcry or governmental disfavor. This could result, in addition to any liability, the loss of current or future contracts, harming business and financial performance.

This list of risks is relevant to the business success of The Atlas Group, but is by no means exhaustive. It is up to the Atlas Group Executive Board to identify and mitigate any and all risks or threats to the business and financial success of The Atlas Group.

Competition

Since Atlas is one of many private-sector companies that bid on U.S. Government contracts, the company faces stiff competition from a variety of industry players, large and small. Below is a brief list of some of the top competitors to Atlas' business segments. A more comprehensive list of the top contractors to U.S. Government agencies and military can be found at:

<https://www.fpds.gov/fpdsng/cms/index.php/reports>.

Aerospace	Information Systems	Electronic Systems	Military Support Services
Lockheed Martin Corp.	Lockheed Martin Corp.	Lockheed Martin Corp.	Kellogg Brown & Root
Boeing	BAE Systems	Raytheon Co.	DynCorp
General Dynamics	Northrop Grumman Corp.	L-3 Communications	Booz Allen Hamilton

Current Outlook

The current outlook for the business of The Atlas Group is precarious at best. The U.S. Government is facing large budget deficits and a mounting debt crisis. To combat these fiscal deficiencies, the U.S. Congress has decided to impose \$500 billion of cuts to the DoD over the next 10 years. Furthermore, the US just ended its 10-year conflict in Iraq and is starting to draw down troop levels in Afghanistan. In addition to the resulting decrease in demand, Atlas has faced several quality and progress issues with some of the current DoD contractual projects, leading to delays and upsetting senior military officials. The Atlas Group has a lot more to lose than it can gain in the foreseeable future. Since the government can withdraw contracts at any time, there is a huge risk of losing critical business with no foreseeable growth in demand. How can the executives of The Atlas Group ensure financial success in this tumultuous business environment? Where will the company's growth come from? How can leadership protect the business The Atlas Group already has?

Committee Direction/Next Steps

A couple weeks before the conference, you will receive a supplement to this guide with more information about your character and a “memo” from the CEOs asking for a short report (1-2 pages) relating to the crisis that The Atlas Group is facing. In the mean time, we recommend that you become more familiar with the U.S. military contracting and private military company (PMC) industries, both demand and supply. Additionally, you should research private sector, profit-driven firms in these industries (some of the industry leaders are listed in the “Competition” section above) and learn about the distinct roles of the top management. From this, you should begin to get an idea of which Executive Board member (from the “The Executive Board” section above) you would like to be during the conference. We encourage you to be in contact with the BUCS secretariat regarding position assignments if you have a particular preference. Once you receive the supplement, you will be asked to describe your specific role in The Atlas Group and what your role will be in the crisis that the CEOs describe.



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THE ATLAS GROUP
Condensed Consolidated Statements of Earnings
(In millions, except per share data and percentages)

	YEAR ENDED				
	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Net sales, by segment					
<i>Aerospace</i>	\$ 20,567	\$ 21,650	\$ 20,619	\$ 19,637	\$ 19,065
<i>Information Systems</i>	\$ 15,565	\$ 15,112	\$ 14,816	\$ 14,525	\$ 14,102
<i>Electronic Systems</i>	\$ 10,375	\$ 10,073	\$ 9,876	\$ 9,682	\$ 9,400
<i>Military Support Services</i>	\$ 19,011	\$ 20,011	\$ 19,058	\$ 18,151	\$ 17,622
Total net sales	\$ 65,518	\$ 66,846	\$ 64,368	\$ 61,995	\$ 60,189
Cost of sales, by segment					
<i>Aerospace</i>	\$ 17,889	\$ 18,442	\$ 17,481	\$ 16,570	\$ 16,134
<i>Information Systems</i>	\$ 13,862	\$ 13,793	\$ 13,456	\$ 13,128	\$ 12,783
<i>Electronic Systems</i>	\$ 9,059	\$ 8,881	\$ 8,793	\$ 8,579	\$ 8,353
<i>Military Support Services</i>	\$ 16,469	\$ 16,978	\$ 16,093	\$ 15,254	\$ 14,853
Total segment cost of sales	\$ 57,278	\$ 58,094	\$ 55,823	\$ 53,530	\$ 52,123
Corporate Expenses	(300)	(294)	(243)	(271)	(346)
Total cost of sales	\$ 56,978	\$ 57,800	\$ 55,580	\$ 53,259	\$ 51,777
Gross profit, by segment					
<i>Aerospace</i>	\$ 2,678	\$ 3,207	\$ 3,138	\$ 3,067	\$ 2,931
<i>Information Systems</i>	\$ 1,704	\$ 1,319	\$ 1,359	\$ 1,397	\$ 1,319
<i>Electronic Systems</i>	\$ 1,317	\$ 1,192	\$ 1,083	\$ 1,103	\$ 1,047
<i>Military Support Services</i>	\$ 2,542	\$ 3,033	\$ 2,965	\$ 2,897	\$ 2,769
Total segment profit	\$ 8,240	\$ 8,752	\$ 8,545	\$ 8,464	\$ 8,066



Statement of Earnings, Continued	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Gross profit margin, by segment					
<i>Aerospace</i>	13.0%	14.8%	15.2%	15.6%	15.4%
<i>Information Systems</i>	10.9%	8.7%	9.2%	9.6%	9.4%
<i>Electronic Systems</i>	12.7%	11.8%	11.0%	11.4%	11.1%
<i>Military Support Services</i>	13.4%	15.2%	15.6%	16.0%	15.7%
Corporate Expenses	\$ (300)	\$ (294)	\$ (243)	\$ (271)	\$ (346)
Operating profit	\$ 7,940	\$ 8,458	\$ 8,302	\$ 8,193	\$ 7,720
Interest expense	\$ (350)	\$ (345)	\$ (305)	\$ (300)	\$ (321)
Other non-operating income, net	\$ 94	\$ 74	\$ 123	\$ (88)	\$ 193
Earnings before income taxes	\$ 7,684	\$ 8,187	\$ 8,120	\$ 7,805	\$ 7,592
Income tax expense	\$ 2,271	\$ 2,563	\$ 2,541	\$ 2,412	\$ 2,353
Net earnings	\$ 5,413	\$ 5,624	\$ 5,579	\$ 5,393	\$ 5,239
Effective tax rate	29.6%	31.3%	31.3%	30.9%	31.0%
Earnings growth	-3.74%	0.80%	3.44%	2.95%	-
Earnings per common share					
Basic	\$ 14.91	\$ 15.44	\$ 14.50	\$ 13.49	\$ 12.59
Diluted	\$ 14.74	\$ 15.27	\$ 14.35	\$ 13.17	\$ 12.27
Shares outstanding					
Basic	363.1	364.2	384.8	399.7	416.0
Diluted	367.3	368.3	388.9	409.4	427.1



THE ATLAS GROUP
Condensed Consolidated Balance Sheet
(In millions, except percentages)

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Assets					
Cash and cash equivalents	\$ 3,249	\$ 3,185	\$ 3,123	\$ 2,974	\$ 2,916
Receivables	\$ 8,494	\$ 8,328	\$ 8,164	\$ 7,775	\$ 7,623
Inventories	\$ 2,722	\$ 2,669	\$ 2,616	\$ 2,492	\$ 2,443
Deferred income taxes	\$ 1,038	\$ 1,018	\$ 998	\$ 951	\$ 932
Other current assets	\$ 578	\$ 567	\$ 556	\$ 529	\$ 519
Total current assets	\$ 16,082	\$ 15,767	\$ 15,458	\$ 14,722	\$ 14,433
Property, plant and equipment, net	\$ 7,165	\$ 7,024	\$ 6,887	\$ 6,559	\$ 6,430
Goodwill	\$ 14,697	\$ 14,409	\$ 14,126	\$ 13,454	\$ 13,190
Purchased intangibles, net	\$ 440	\$ 432	\$ 423	\$ 403	\$ 395
Prepaid pension asset	\$ 149	\$ 146	\$ 144	\$ 137	\$ 134
Deferred income taxes	\$ 7,167	\$ 7,026	\$ 6,889	\$ 6,561	\$ 6,432
Other assets	\$ 5,572	\$ 5,463	\$ 5,356	\$ 5,101	\$ 5,001
Total assets	\$ 51,273	\$ 50,268	\$ 49,282	\$ 46,935	\$ 46,015
Liabilities and Stockholders' Equity					
Accounts payable	\$ 3,018	\$ 2,974	\$ 2,915	\$ 2,831	\$ 2,775
Customer advances	\$ 6,763	\$ 6,663	\$ 6,533	\$ 6,342	\$ 6,218
Other current liabilities	\$ 5,582	\$ 5,500	\$ 5,392	\$ 5,235	\$ 5,132
Current maturities of long-term debt	\$ 276	\$ 272	\$ 267	\$ 259	\$ 254
Total current liabilities	\$ 15,640	\$ 15,409	\$ 15,107	\$ 14,667	\$ 14,379
Long-term debt, net	\$ 4,700	\$ 4,630	\$ 4,540	\$ 4,407	\$ 4,321
Accrued pension liabilities	\$ 18,473	\$ 18,200	\$ 17,843	\$ 17,324	\$ 16,984
Other noncurrent liabilities	\$ 6,606	\$ 6,508	\$ 6,380	\$ 6,194	\$ 6,073
Stockholders' equity	\$ 5,855	\$ 5,520	\$ 5,412	\$ 4,343	\$ 4,258
Total liabilities and stockholders' equity	\$ 51,273	\$ 50,268	\$ 49,282	\$ 46,935	\$ 46,015

