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**STATEMENT BY
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PRESIDENT AND CEO
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**BEFORE THE
COMMISSION ON WARTIME CONTRACTING
AUGUST 11, 2009**

Introduction

Chairman Thibault, Chairman Shays, Members of the Commission: On behalf of DynCorp International's 25,000 employees in over 30 countries, I want to thank you for the opportunity to discuss contractor business systems, the Logistics Civil Augmentation Program (LOGCAP) program, and contractor support of contingency operations.

DynCorp International is a global government services provider, offering innovative solutions and relentless performance in support of U.S. national security and foreign policy objectives. From our post-World War II roots in aviation and aviation services, DynCorp International has grown into the integrated global enterprise it is today, operating major programs in law enforcement training and support, security services, base operations, aviation, contingency operations, and logistics support. We have broad international expertise and years of experience performing in remote, dangerous, and austere environments.

DynCorp International provides global platform support in aviation and land systems, and integrated solutions supporting international stability and development. Our work meets government needs for platform, aviation and logistics support during a conflict; and the equipment repositioning and reset, and war reserve materiel management afterwards. We provide the training and mentoring engagement with host country law enforcement, security and defense institutions that is the foundation for post-conflict stability. Through our Global Linguist Solutions (GLS) joint venture, we provide linguistic and language management expertise to support the intelligence capabilities of the U.S. military. Our international program footprint and focus closely align with the emphasis placed by the Administration of President Obama on the use of "smart power" as a vital means of advancing U.S. national security and foreign policy interests. We are proud to support the American people and believe our work and standards must always reflect the public trust placed in us by our customers.

Given the importance of these tasks, and the complexity of the challenges we face each day – our missions, our customers' expectations, and the logistics and environments associated with our work – the standard to which we hold ourselves accountable is, and must be, perfection. These are not just words, but a relentless commitment in action. I want to emphasize to you this commitment applies to transparency and oversight the same as it does to performance and project completion. We aim to be the corporate model with respect to compliance, ethics, and accountability, with integrated governance structures ensuring our proactive management solutions.

Core Values

Our team takes great pride in the role that we play as a U.S. Government contractor and partner supporting U.S. national security and foreign policy objectives around the world. Our corporate culture is defined by a common purpose that each employee shares and embraces personally: **We Serve Today for a Safe Tomorrow.**

DynCorp International works relentlessly to be a responsible partner. As such, we seek not only to be responsive to the direction of our customer, but to anticipate and act upon questions, concerns, and possible challenges impacting on our mutual efforts. Today, standards are high for us and for our key government customers. In achieving this high standard, we are guided by our core values, which are:

- **We serve** – willingly in all locations and conditions.
- **We care** – for the safety, security, development, and well-being of our employees.
- **We empower** – our employees to succeed in a culture based on trust, respect, loyalty, and commitment.
- **We perform** – with a relentless commitment to exceeding expectations.
- **We do the right thing** – always, for ourselves, our customers, and those we serve.

To be true to our values, we have an obligation to our employees that extends beyond compensation for work performance. In the very unfortunate – but given the environment in which we are working, quite possible – event that one of our employees is injured or killed while serving in support of U.S. policy objectives, we feel a continuing obligation to those individuals and their families. To date, 64 employees from DynCorp International and our joint venture have paid the ultimate sacrifice serving our country and our company. To ensure employees and families receive the necessary support through personalized assistance, tailored to meet an individual's unique needs during recovery and rehabilitation, DynCorp International created the Civilian Police (CIVPOL) Employee Assistance Program in January 2007 to support deployed civilian police advisors. Today, this program serves as the foundation for all DynCorp International and GLS employee and family support programs. Moreover, the CIVPOL Employee Assistance Program represents the gold standard of employee support for other companies to emulate, and one we would recommend the government consider mandating and funding for all contractors supporting U.S. national security and foreign policy objectives in hostile environments.

As the U.S. increases its presence and activities in Afghanistan, contractors will play a critical role, and will face the same or similar risks and dangers as their military and civilian partners. Our shared debt to Americans injured or killed in the line of duty in Afghanistan must extend to and include contractors serving the U.S. Government's efforts, to their employees and the families who sacrifice so much.

Operating in Contingency Environments

When providing services for U.S. led contingency operations, our workforce, along with their U.S. military and civilian counterparts, serve in harsh, austere, and often hostile environments that present significant challenges everyday. It is not an overstatement to say the only constant in contingency environments is change. Ever-evolving "on-the-ground" realities include unpredictable security and supply route conditions; uneven quality of local subcontractors, poor quantity and quality of available construction material and equipment and other challenges.

The single most important factor in overcoming these demands is leadership. It sounds so simple to say, that all these factors can be mitigated or overcome by having the right people in the right positions, but it's true. If DynCorp International is going to succeed in its efforts to support U.S. led contingency operations, it must have the right people doing the right thing across the full spectrum of responsibilities from the CEO to the supervisor in the field. Our workforce must be vetted, trained, and managed effectively by leaders who have the requisite skills and decision making tools to do what is best for the customer.

This is not only true for the contractor, but the customer as well. The U.S. Government and the American taxpayer are best served when the customer has a robust, capable workforce with the right skill sets and decision making authorities to ensure mission success throughout the process, from setting the requirements, to managing the contract, to having a cadre of well trained Contracting Officer Representatives (COR) working with their contractor partners in the field.

Work in hostile environments is challenging for all our employees, especially those who work alongside and support our soldiers and civilian employees where they share the danger of hostile fire, isolation, and other hardships associated with these types of deployments.

With more than two-thirds of our workforce serving overseas in distributed locations and remote environments, working 6- or 7-day weeks, long hours, and extended time away from family and home communities, incidents of improper behavior by individuals or programmatic mistakes do happen, despite our relentless commitment to our core values and compliance programs. In such cases, in response to any allegation of potential misconduct or impropriety, we respond immediately to address problems, carry out independent investigations, and take appropriate follow-up action – including, when warranted by the facts, termination or referral to law enforcement. We also take action to put into effect management changes to reduce the possibility of similar problems in the future. Following on the tragic death of a DynCorp International employee in Afghanistan from an apparent drug overdose, I have personally met with our program

managers in Iraq, Afghanistan, Kuwait, and the U.S. We reinforced our ethics, behavior, and conduct standards, and implemented management training programs for all levels of management.

As I stated earlier, DynCorp International aims to be the corporate model with respect to compliance, ethics, and accountability. As part of our continuous improvement in this area, we have created the position of Chief Compliance Officer who reports directly to me and to the Audit Committee of our Board of Directors. This move further amplifies and focuses the company's commitment to its core values, compliance, and performance. The Compliance Office works to ensure a proactive corporate culture dedicated to satisfying the highest standards of government and public scrutiny, accountability, and oversight. This culture reinforces ethics and full compliance as an essential part of each employee's daily responsibilities. Further, the Office integrates and streamlines the efforts made previously by each department of the company to ensure full compliance with legal and regulatory standards.

The Compliance Office supervises the company's ethics and business conduct program, internal investigations, internal audit, and trade compliance, including all export and import activities. The Office is also responsible for related regulatory and compliance matters. Responsible activities include:

- Developing and monitoring compliance by all employees with corporate ethics and compliance training requirements
- Managing the corporate hotline program
- Supervising DynCorp International's internal investigations
- Working with operations management to impose effective remedial steps where warranted as a result of internal investigations
- Monitoring training and compliance with the Foreign Corrupt Practices Act
- Overseeing trade, export, and import compliance and training
- Supervising the internal audit function

Contractor Business Systems

The primary focus of your hearing today is contractor business systems. We understand that the government entrusts us with taxpayer funds to support U.S. national and foreign policy objectives. We take this responsibility seriously and strive to be the best possible steward of government funds by maintaining the most rigorous management and internal controls, and full compliance with the letter and spirit of U.S. law, the Federal Acquisition Regulations (FAR), and contract requirements. Our goal is perfection and though we do not always meet that objective, we continue to strive to do so because there is no acceptable alternative. We welcome oversight by the Defense Contract Auditing Agency (DCAA), Defense Contract Management Agency (DCMA), General Accountability Office (GAO), and Inspectors General and are committed to absolute transparency. We work hard to meet the standards of government oversight agencies and where we do not, we take prompt and responsive action to correct any reported weaknesses.

For example, recently we had systems deemed inadequate by DCAA and in every case we have taken immediate action to remediate these systems. Even this Commission has remarked that it is impressed by the thoroughness and responsiveness of our corrective actions. In some cases, we may not have concurred with DCAA's finding, but we revised our procedures or processes as recommended by DCAA. Specifically:

- DCAA initially provided DynCorp International notification of Billing System conditions on February 12, 2009 that related to an "inadequate" opinion formally received on June 1, 2009. DCAA's notification cited five conditions. We responded to DCAA/DCMA and agreed to implement various corrective measures that primarily included revised procedures, employee training, and correction of two isolated instances. To date, four of the five conditions have been fully completed and the fifth is expected to be complete by August 14. Additionally, the DCMA has notified us that our disclosed corrective measures are adequately responsive and we are conducting an internal review to validate the corrective actions taken prior to official government notification of completion.

- On March 6, 2009, we received notification of Compensation System conditions that related to an “inadequate” opinion formally received on June 3, 2009. This notification cited eight conditions. We responded to DCAA/DCMA and agreed to implement various corrective measures that primarily related to benchmarking and market analysis of employee compensation and benefits. To date, six of the eight conditions have been fully completed and the two remaining conditions are expected to be complete by our next annual benefit enrollment. Additionally, the DCMA has notified us that our disclosed corrective measures are adequately responsive and we will conduct an internal review to validate the corrective measures taken before December 30.
- Finally, on September 9, 2008, DCAA informed us of an “inadequate” opinion on the Labor System formally received on June 3, 2009. We immediately responded to DCAA/DCMA and agreed to implement various corrective measures that primarily related to written procedures. To date, all six corrective measures have been fully completed. Additionally, the DCMA has notified DynCorp International that our disclosed corrective measures are adequately responsive and we are conducting an internal review to validate the corrective actions taken prior to official government notification of completion.

The Commission’s June 2009 Interim Report stated:

“Based on analysis of data covering some \$43 billion in high-value awards to 15 contractors in Iraq and Afghanistan, we learned that roughly 30 percent of contractor business systems audited by the Defense Contracts Audit Agency (DCAA) contained significant deficiencies.”

At DynCorp International, our goal is to have the gold standard of business systems and we are working to continuously improve ours. For example, we are currently in the process of a \$12 million investment to upgrade our IT systems, software, and hardware. Having systems deemed inadequate by DCAA increases our cost to operate, has an impact on our ability to get paid promptly, and reduces our competitiveness for other contracts. So, as difficult as it may be

given where we work, it is in our interest, and in fact our goal to seek perfection with regard to our business systems.

The top objective of all of our business systems is to comply with Cost Accounting Standards, Federal Acquisition Regulations, and contract requirements. Our systems support not only our internal processes, but must support agency requirements for many different contracts from the Department of Defense, Department of State, and other U.S. Government agencies, some of which have quite divergent demands. The systems we have currently allow us to meet those requirements. However, we constantly explore improved and more efficient alternatives which will enable us to better meet contract requirements, function smoothly, and be competitive with others in our industry.

DynCorp International's internal business controls are monitored by DCAA, which has offices co-located in our offices in Fort Worth, Texas. Our business systems have met all internal control requirements (including the internal control provisions of the Sarbanes-Oxley Act) and have been audited by the independent registered public accounting firm Deloitte and Touche. We are subject to regular audits by our external auditing firm and by our internal auditors.

While we recognize the necessity of constant vigilance with regard to our own systems and appreciate the value of audits of our systems by DCAA, we have two main concerns about how those reviews are conducted and reported.

First, current DCAA guidance, effective December 2008, states that its audit opinions on contractors' internal controls will be either "adequate" or "inadequate" if any significant deficiency or material weakness is indentified. DCAA no longer reports "inadequate in part." This means a failure to accomplish any applicable control, no matter how minor, will result in a determination of "inadequate." Current DCAA guidance requires 100 percent perfection; 99 percent compliance is deemed "inadequate." We recommend a more graduated scoring system be instituted as the current system does not differentiate between 98 percent and 50 percent compliance.

The current “perfect or inadequate” scoring system does not provide useful information for the government to be able to compare contractors’ performance, nor differentiate between “material weaknesses” and less significant problems. We recommend establishment of a four- or five-stage evaluation system, such as the one used by the Federal Managers Financial Integrity Act, or a color-coded system similar to what is used in source selection evaluations, which would provide more useful information on the adequacy of a contractor’s internal controls.

DCAA has audited DynCorp International and predecessor companies for many years and deemed our systems adequate after each review. In April 2007, our IT system was found “inadequate in part.” Only in FY-2010 did DCAA find our Billing, Compensation, and Labor systems “inadequate.” We find this change in DCAA’s findings to be curious since our business systems have not deteriorated since 2007; in fact, thanks to our implementation of requirements of the Sarbanes-Oxley Act, we believe our internal control systems have been significantly strengthened. Given that our systems had been deemed adequate prior to DCAA issuing new audit guidance in December 2008; we suspect that minor weaknesses, previously considered not to be significant deficiencies, now form the basis for DCAA’s “inadequate” determination under the current grading system.

Our second major concern is that DCAA has no standards for timeliness to carry out its review of the contractor’s corrective action. Pending review, an “inadequate” evaluation remains on the record, even when the contractor has taken immediate and fully satisfactory corrective action. As new source selection evaluations and award fee reviews take into account DCAA internal controls evaluations, a contractor’s ability to win new contracts or earn award fees on existing contracts may be adversely affected by an “inadequate” rating despite having corrected the reported problem. We recommend DCAA establish standards for prompt review of contractors’ corrective action and response.

As an example of DCAA’s lack of prompt response to contractor corrective action, in January 2009, DCAA issued a Form-1 suspending payment on our War Reserve Materiel (WRM) contract withholding \$2.4 million in subcontract costs and rescinding DynCorp International’s direct billing authorization on the contract.

The Form-1 was issued after DCAA reviewed 10 subcontract files on the WRM contract and reported that six of the files lacked sufficient documentation for subcontract price and/or cost analysis on the initial subcontract awards and subsequent modifications. On February 12, we responded to DCAA, addressing their concerns and providing all information requested. We sought immediate reinstatement of the interim voucher authorization and payment of the \$2.4 million in suspended subcontractor costs.

In April 2009, DynCorp International was presented with a rescission letter against the whole billing system, to include WRM Form-1 issues, identifying six conditions needing corrective action. We responded by enacting a formal corrective action plan while also rewriting or revising internal procedures to further improve our processes. In June 2009, the company received the final DCAA audit report from the Corporate Administrative Contracting Officer. The letter identified five conditions that needed corrective action. We implemented corrective actions, monitored by members of our Leadership Team, to ensure that DCAA's internal control concerns had been met.

Notably, after almost six months, DCAA is still evaluating our response on the WRM contract and has not committed to a schedule to complete its review. We have regularly requested an update of the review but have not yet received a response, payment of the subcontract costs, or reinstatement of our direct billing authorization which adversely impacts our receivables.

Additional Areas of Interest

The Commission on Wartime Contracting is mandated by Congress to study federal agency contracting for the reconstruction and logistical support of coalition forces, the performance of security functions in Iraq and Afghanistan, and to make recommendations to ensure on-going and future operations are conducted in a more efficient and effective manner. As President and CEO of a rapidly growing defense contractor, I would like to submit to the Commission several thoughts on areas where additional focus and recommendations for reform should take place:

Oversight – Oversight is a very popular word these days and we welcome the increased emphasis on accountability and all aspects of the contracting process. However, more attention should be given to the question of what constitutes good oversight, as more does not necessarily equal better. Effective oversight must be done in real-time; if there is a perceived problem we want to tackle it now. We would rather know immediately of problems so we can correct them promptly.

In our view, good oversight starts with mission focus. The customer must define and the contractor must understand the mission and maintain the business systems to provide instantaneous management in austere and often times hostile environments. As I stated previously, our goal is perfection, but we are realistic enough to know that perfection is difficult to achieve, especially in a hostile environment. Effective oversight also needs situational awareness that is informed by the mission and a clear understanding of what the government is asking the contractor to do. Finally, and most importantly, good oversight depends on people and especially on leadership. The quality of the contractor's staff and that of the government are the most important ingredients of successful performance. Both sides must be qualified, responsive, and open to partnership to be successful in achieving the best performance in contingency contracting.

Contingency contracting in a hostile environment is very different from contracting in peacetime in the continental United States. Combatant Commanders carrying out rapidly changing orders are Requirements Officers for contingency contractors and they require immediate action from us as they would from their own troops. The current inability of an area in-country Administrative Contracting Officer (ACO) to approve evolving contract requirements hampers the ability of the government to act rapidly. Contracting regulations, FAR provisions, the time to complete contracting forms, and the lack of on-the-ground knowledge by U.S. based contracting officers and Contracting Officer Representatives (COR) all conflict with the Commanders' need for rapid action. As the Commission reviews the larger issue of oversight, we would respectfully suggest five recommendations to significantly improve the current process and provide the "real-time" responsiveness that Combatant Commanders demand and deserve. Our views reflect similar recommendations given in your interim report, "*At What Cost.*"

- All acquisition and contract management personnel should be qualified and fully trained before deployment. Professional acquisition personnel should establish requirements and draft work requirements, RFPs, and contracts. Contract supervision, planning, drafting, contractor oversight, and management are all “inherently governmental” functions and we believe that those functions must be performed by government employees and not outsourced.
- All Contracting Officer Representative positions should be fully staffed in order to be able to provide effective contract management and oversight in a timely fashion.
- Contracting Officer Representatives should be deployed to the field where they can understand the working environment and have personal and direct knowledge of the contractors’ performance.
- Deploy area Administrative Contracting Officers to the field to confirm contractor support sought by the Contracting Officer Representative in a timely manner. The area Administrative Contracting Officer would determine whether a Contracting Officer Representative’s proposed actions are in or out of scope. The deployed area Administrative Contracting Officer should have authority to periodically group or aggregate new scope direction, seek combined proposals from the contractor, and negotiate appropriate contract value adjustments. This would balance responsiveness to Commanders’ requirements with effective contract management.
- Review bills and performance promptly, to provide opportunity for prompt corrective action if needed, and for prompt payment for services performed. It is in our collective interests to have contractors focused on mission objectives, not cash collection.

Undefinitized contracts – During the Commission’s May 4, 2009 hearing on the LOGCAP contract, there was significant focus on undefinitized contracts and related costs. The ideal solution to reducing the number of undefinitized contracts is to negotiate the contract or change order before the work actually begins. Unfortunately, in a contingency environment this is not always possible and undefinitized contracts are a reality.

Definitization schedules are rarely met. Delays can result for many reasons, some of which include:

- The definitization proposal submittal is delayed due to changing requirements requiring Statement of Work (SOW) revisions
- DCAA audit of the proposal
- Review of the proposed technical solution by operators and subject matter experts (SME) to determine if it meets the requirement

As long as there is accountability on the part of all parties involved in the process and they adhere to a firm schedule that is uninterrupted and not impacted by the significant workload, contracts or change orders can be definitized more rapidly, reducing risk to the government and financial burdens on contractors.

We have been impacted by the cycle of undefinitized task orders under LOGCAP IV and this has had a direct effect on the working capital required to operate the contract. The government has been unable to definitize in a timely manner, and as a result DCAA is disallowing costs associated with undefinitized work. This action obviously incentivizes us to definitize contracts as quickly as possible to reduce the amount of working capital that we need to finance the government's contract. These finance costs are not an allowable cost, requiring the contractor to finance operations with its profits. This situation is both unfortunate and unfair since we do not control the process.

Acknowledging the realities and complexities of the issue of definitization, we recommend that as long as both sides are meeting the definitization plan and requirements, the contractor should be allowed to bill and receive payment.

Firm- Fixed Price contracting in hostile environments – Today, there are a growing number of voices on Capitol Hill and within the Executive branch calling for awarding more contracts on a firm-fixed price basis. We recommend caution and careful deliberation when considering increasing the use of firm-fixed price vehicles in war zones and contingency environments. In particular, the results to date in Afghanistan have been sobering.

In an effort to insulate itself from cost and schedule risk, the United States Army Corps of Engineers has preferred a procurement approach of competitively-bid, firm-fixed price contracting for construction in Afghanistan and other war zones. Projects are awarded on a design and build basis with price being the primary criterion for selection. The United States Army Corps of Engineers price reduction and risk transfer goals are being met, but this policy has also resulted in capable contractors withdrawing from the business, and claims accumulating at the Afghanistan Engineering District. This is because firm-fixed price contracts do not take into consideration the ever-evolving “on-the-ground” realities of these remote, difficult, and hostile locations.

United States Army Corps of Engineers firm-fixed price contracts are competitively-bid, but bids are based on uncertain price estimates, unpredictable security and supply route conditions; poor quality local subcontractors, poor quantity and quality of locally available construction material and equipment, and other challenges. Contractors bid without an ability to realistically predict and price subcontracts to be awarded to indigenous companies or to predict increases in, or the locations of, violence and other changes in conditions that create delays and increased costs. “Design and build” requirements in harsh locales make efforts to accurately price work enormously difficult and inherently inaccurate. Competitive bidding pressure discourages realistic appraisals of risks and the pricing of contingencies to account for such risks. Performance can be dramatically skewed by a number of factors that are not susceptible to accurate estimating. Some of these factors are:

- How to price mortar attacks and/or hostile acts into a bid
- Ability to transport materials to the construction site given safety and security of passage along limited supply routes
- Availability, capability, and reliability of local subcontractors
- Conflicting local interests and tribal conflict

Because of the inflexibility of firm-fixed price contracts, contractors cannot adjust to constantly changing events and routinely miss schedules and ultimately lose money. In the past several weeks, my staff has spoken with many of the U.S. prime contractors who do construction in Afghanistan and there is a consensus growing among those most capable of performing the work to “no-bid” new

proposals rather than risk further financial losses and reputational damage. The recent decision by the Afghanistan Engineering District to award a large prime contract to an Afghan company that has consistently performed poorly for U.S. contractors highlights the seriousness of the current situation and the potential inability to achieve construction goals which are critical to increasing stability and development.

DynCorp International is proud of its partnership with the Afghan people and, on behalf of the United States Government, is succeeding in helping to build Afghan capacity, sustainability, and ownership. What is needed to achieve further success is for the international community to reward and encourage international business to invest in the Afghan people. Building Afghan capacity will take time, cost money, and require flexibility. To further incentivize investment in the development of Afghanistan, the United States Army Corps of Engineers should utilize contracting mechanisms that are most able to adapt to realities on the ground and the evolving situation. The best solution for the government would be implementing a cost-plus fixed fee or award fee contracting approach for construction in war zones.

Support for wounded contractors and the families of the fallen – The U.S. Government and the American people recognize their sacred obligation to the men and women in uniform who are wounded or lose their lives in service to our nation. Unfortunately, the same cannot yet be said for wounded contractors and the families of those killed supporting U.S. led contingency operations. Contractor support is a reality in modern contingency operations with our employees serving side by side with their military and civilian government partners.

There has been much discussion on Capitol Hill and within the Executive branch about reforming and improving the Defense Base Act which mandates contractors provide workers' compensation insurance for their employees. We agree the system needs to be reformed to better serve the needs of the wounded and the families of the deceased. What is also needed is a well resourced and funded support network to assist individuals and families in explaining procedures, benefits, and claims management; and to provide moral support in a time of great trauma.

DynCorp International recognized the critical need and void in this area by establishing and funding the CIVPOL Employee Assistance Program to assist wounded DynCorp International personnel and the families of those killed in action. We would encourage the Commission to study the CIVPOL Employee Assistance Program to see if this program would be an effective model for the government to mandate and fund to close the gap in care and support that exists today.

Conclusion

One last issue I would like to comment on before concluding is competition. We are rightfully having intense discussions and debates about how to improve the contracting process to ensure the warfighter and the taxpayers are receiving the best services and value possible. The key to achieving this goal is competition. The model used in awarding LOGCAP IV drives competition, which will result in better leadership, improved services, more innovation, and increased cost savings from us to our customers.

Thank you again for the opportunity to participate in this critical hearing. DynCorp International is committed to providing the warfighter and taxpayer with world class services in transitioning and executing LOGCAP IV task orders and all our work around the world. I stand ready to answer questions related to contractor business systems, the LOGCAP program, or any additional areas of interest to the Commission.

William L. Ballhaus
President and CEO
DynCorp International LLC

William L. Ballhaus was named president and chief executive officer of DynCorp International in May 2008.

Mr. Ballhaus joined DynCorp International from BAE Systems, where he was president of the Network Systems division. Previously, he was President of BAE Systems' National Security Solutions and Mission Solutions divisions.

Before joining BAE Systems, Mr. Ballhaus held a number of senior executive positions at Boeing's satellite systems business (previously Hughes Space and Communications), including senior vice president of system engineering and general manager of a stand-alone electronics subsidiary.

Mr. Ballhaus received a bachelor's degree in mechanical engineering from the University of California at Davis, and a master's and Ph.D. in aeronautics and astronautics from Stanford University. He also holds a master's degree in business administration from UCLA's Anderson Graduate School of Management.