



Selected Acquisition Report (SAR)

RCS: DD-A&T(Q&A)823-424



MQ-9 UAS REAPER

As of December 31, 2010

Defense Acquisition Management
Information Retrieval
(DAMIR)

UNCLASSIFIED

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Program Information

Designation And Nomenclature (Popular Name)

REAPER Unmanned Aircraft System (UAS)

DoD Component

Air Force

Responsible Office

Responsible Office

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| Date Assigned | July 10, 2008 |

References

SAR Baseline (Production Estimate)

FY 2011 President's Budget dated February 1, 2010

Mission and Description

Mission:

The Reaper Unmanned Aircraft System (UAS) is a multi-mission Hunter-Killer and Intelligence, Surveillance and Reconnaissance (ISR) system, which provides the combat commander with a persistent capability to find, fix, track, target, engage and assess Time Sensitive Targets. In the Hunter-Killer mission, the Reaper offers the commander a choice of weapons including the Hellfire Air-to-Ground Missile, Laser Guided Bombs and Joint Direct Attack Munitions. In the ISR role, the Reaper's ability to fly for up to 14 hours at altitudes up to 25,000-30,000 feet while carrying up to 3,000 pounds on the wings make it the platform of choice for a number of ISR and strike missions. This ability to support a wide variety of operations results in a steady stream of requirements to develop new capabilities to support an expanding array of missions. As a result of the combat deployment of the developmental system, the Reaper is supported and maintained by contractor logistics support personnel under contract and managed by the Reaper program office.

Description:

A Reaper system consists of four aircraft, a Ground Control Station (GCS), a Satellite Communications terminal, support equipment, maintenance and operations personnel deployed for 24-hour operations. The aircraft is controlled by a pilot who is located in the GCS. Control commands are transmitted from the GCS to the aircraft by a groundbased datalink terminal. The GCS incorporates workstations that allow operators to plan missions, control and monitor the aircraft, reconnaissance sensors and weapons and exploit received images. The Reaper carries the Multi-spectral Targeting System which integrates electro-optical, infrared, laser designator, and laser illuminator into a single sensor package. The system is composed of four major components which can be deployed for worldwide operations. The Reaper aircraft can be disassembled and loaded into a container for travel. The GCS is transportable in a C-130 Hercules (or larger) transport aircraft or installed in a fixed facility. The Reaper can operate on a 5,000 by 75 feet (1,524 meters by 23 meters), hard surface runway with clear line-of-sight. The ground data terminal antenna provides line-of-sight communications for takeoff and landing. The satellite communication system provides over-the-horizon control of the aircraft. An alternate method of employment, Remote Split Operations, employs a mobile version of the ground control system for launch and recovery efforts. This system conducts takeoff and landing operations at the forward deployed location while the Continental United States based GCS conducts the mission via extended communication links.

In March 2006, COMACC (Commander of Air Combat Command) directed early fielding to meet operational needs. To meet the early fielding date, the program was broken into two blocks with Block 1 providing initial capability to meet the early fielding date and Block 5 completing the program to the Increment I requirements as described in the Capability Production Document (CPD). Consequently, the Reaper Increment I program is comprised of Block 1 and Block 5 with Block 1 aircraft upgraded to Block 5 configuration concurrently with the Block 5 deliveries. This Selected Acquisition Report (SAR) only includes Increment I requirements. An Increment II subprogram will be established in the future to incorporate additional capabilities into the MQ-9 UAS Reaper Weapon System. Increment II has a separate Capability Development Document and will have a separate CPD. Increment II aircraft (FY 2017 and beyond) are required to support the build up and sustainment of the 65 Combat Air Patrol (CAP) requirement. (Current build up to 65 CAP includes both MQ-1 Predator and MQ-9 Reaper Weapon Systems; however, the program will eventually transition to an all MQ-9 Reaper 65 CAP).

The Reaper's combat potential and demonstrated combat performance fueled the rapid growth of the program. By February 4, 2011, the Air Force contracted for a total of 111 Reapers which included 58 added by Congress to accelerate fielding in support of the overseas contingency operations. As of February 4, 2011, General Atomics-Aeronautical Systems Inc. (GA-ASI) delivered 65 of the 399 planned aircraft, 43 of which are operationally active. While the Reaper program was initially managed as a Quick Reaction Capability program, a separate program office was established in 2006 to restructure the program to support Air Combat Command's urgent request to field the system. The Reaper has been actively flying combat missions in Operation ENDURING FREEDOM and Operation IRAQI FREEDOM since September 2007.

The program is in concurrent capability development, procurement, combat operations and support. This situation

resulted from the Reaper's urgent beginnings in the weeks after September 11, 2001, its growth as a Hunter-Killer to support Operation ENDURING FREEDOM and IRAQI FREEDOM, and the Reaper's evolution into the platform of choice for both Intelligence Surveillance and Reconnaissance (ISR) and Hunter-Killer missions.

Executive Summary

Air Combat Command (ACC) stood up six Reaper Combat Air Patrols (CAPs) since the last SAR, bringing the total number to 16. This brings the total number of combined Predator and Reaper CAPs serving US and Allied warfighters to 48. These CAPs enabled the Reaper to accumulate 125,821 cumulative flight hours. The Program Office (PO) remains on track to provide the required 50 CAPs by the end of FY 2011 and 65 CAPs by FY 2013.

Also, the Secretary of the Air Force and the Chief of Staff of the Air Force released their basing decision for the Predator and Reaper Ground Control Stations (GCS). The final approved bases are Whiteman AFB, MO, and Ellsworth AFB, SD.

Since the last SAR, the program office conducted both the Preliminary and Critical Design Reviews (PDR/CDR) on the Reaper Block 5. This stabilized the Block 5 design and began the integration and test phase of the program. The Air Force Technical Airworthiness Authority signed the Initial Tailored Airworthiness Certification Criteria (TACC) for the Reaper. The approved TACC establishes the initial airworthiness certification basis for the Reaper Block 1 system. The program office also provided the warfighter with additional Lynx Synthetic Aperture Radar capability; Selective Availability Anti-Spoofing Module Embedded Global Positioning System/Inertial Navigation System; updated Laser Altimeter/Pilot Heads Up Display cues for improved situational awareness during landing; Non-Nuclear Munitions Safety Board certified Reaper Stores Management System updates, and the BRU-71/A bomb rack.

The Under Secretary of Defense for Acquisition, Technology and Logistics signed the Acquisition Decision Memorandum giving the Reaper program cumulative obligation authority for Research, Development, Test and Evaluation, Procurement and Operations and Maintenance funding through May 2011. The program office is preparing the Acquisition Program Baseline (APB) which will be submitted prior to the Milestone C Low-Rate Initial Production decision and included in a June 2011 SAR.

The program office initiated a Business Case Analysis (BCA) in November 2009 for the purpose of determining the "best value" long term sustainment strategy. The expected outcome of the BCA is a Performance Based Logistics approach which embraces public and private partnership arrangements. The current schedule for completion of the BCA is September 2012.

There are no significant software issues with the program at this time.

Threshold Breaches

APB Breaches

| | | |
|--------------------|-------------|--------------------------|
| Schedule | | <input type="checkbox"/> |
| Performance | | <input type="checkbox"/> |
| Cost | RDT&E | <input type="checkbox"/> |
| | Procurement | <input type="checkbox"/> |
| | MILCON | <input type="checkbox"/> |
| | Acq O&M | <input type="checkbox"/> |
| Unit Cost | PAUC | <input type="checkbox"/> |
| | APUC | <input type="checkbox"/> |

Nunn-McCurdy Breaches

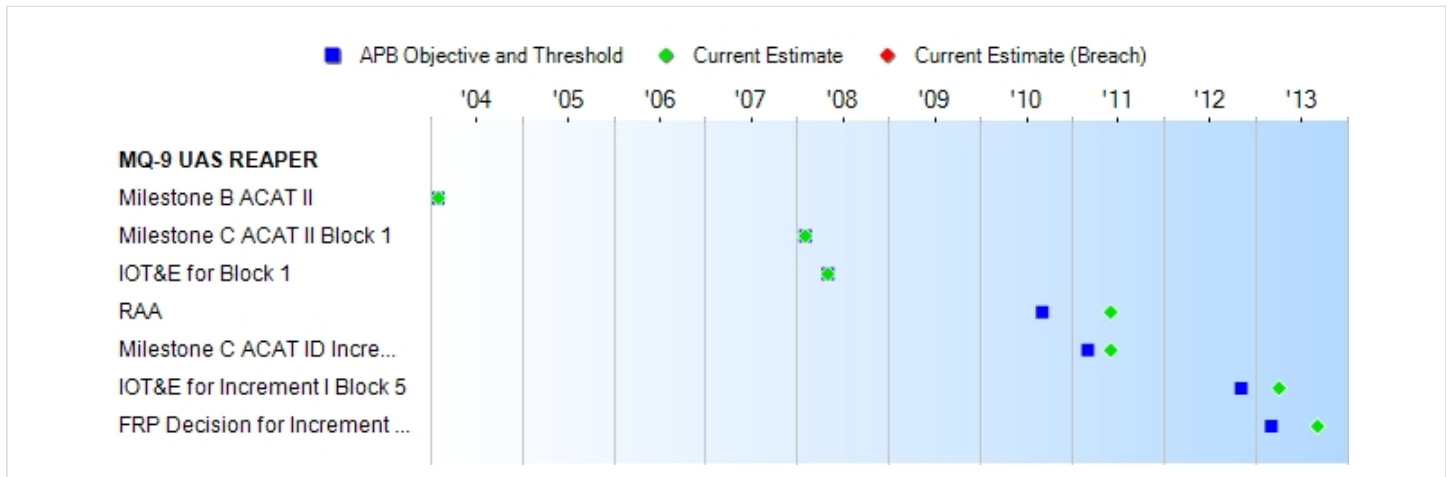
Current UCR Baseline

| | |
|------|------|
| PAUC | None |
| APUC | None |

Original UCR Baseline

| | |
|------|------|
| PAUC | None |
| APUC | None |

Schedule



| Milestones | SAR Baseline Prod Est | Current APB Objective/Threshold | | Current Estimate |
|--|-----------------------|---------------------------------|-----|------------------|
| Milestone B ACAT II | FEB 2004 | N/A | N/A | FEB 2004 |
| Milestone C ACAT II Block 1 | FEB 2008 | N/A | N/A | FEB 2008 |
| IOT&E for Block 1 | MAY 2008 | N/A | N/A | MAY 2008 |
| RAA | SEP 2010 | N/A | N/A | JUN 2011 (Ch-1) |
| Milestone C ACAT ID Increment 1, Block 5 | MAR 2011 | N/A | N/A | JUN 2011 (Ch-2) |
| IOT&E for Increment I Block 5 | NOV 2012 | N/A | N/A | APR 2013 (Ch-2) |
| FRP Decision for Increment I Block 1 and 5 | MAR 2013 | N/A | N/A | SEP 2013 (Ch-2) |

Acronyms And Abbreviations

ACAT - Acquisition Category
 FRP - Full Rate Production
 IOT&E - Initial Operational Test and Evaluation
 RAA - Required Assets Available

Change Explanations

(Ch-1) RAA changed from SEP 2010 to JUN 2011 due to Block 1 technical order development and fielding delays.

(Ch-2) The following current estimates changed in order to allow more time for Block 5 development, flight test, and preparation of ACAT ID documentation:
 Milestone C ACAT ID Increment 1, Block 5, changed from MAR 2011 to JUN 2011
 IOT&E changed from NOV 2012 to APR 2013
 FRP Decision changed from MAR 2013 to SEP 2013

Memo

Required Assets Available (RAA): Two (2) fixed Ground Control Stations (GCS), two (2) mobile GCSs, six (6)

Primary Mission Aircraft Inventory (PMAI) Block 1 aircraft, technical orders, support equipment, initial and readiness spares packages, and logistics support.

Performance

| Characteristics | SAR Baseline Prod Est | Current APB Objective/Threshold | | Demonstrated Performance | Current Estimate |
|---|--|---------------------------------|-----|--|--|
| Hunter | The system's capability must allow a targeting solution at the weapon's maximum range. | N/A | N/A | DT ongoing for KPP; AFOTEC IOT&E did not evaluate KPP due to system availability; Full KPP evaluation deferred to future IOT&E | The system's capability must allow a targeting solution at the weapon's maximum range. |
| Killer | System must be capable of computing a weapon's release point, passing required information, at the required accuracy, to the weapon and reliably releasing the weapon upon command. | N/A | N/A | AFOTEC IOT&E found KPP operationally effective and suitable | System must be capable of computing a weapon's release point, passing required information, at the required accuracy, to the weapon and reliably releasing the weapon upon command. |
| Net Ready: The system must support Net-Centric military operations. The system must be able to enter and be managed in the network, and exchange data in a secure manner to enhance mission effectiveness. The system must continuously provide survivable, interoperable, secure, and operationally effective information exchanges to enable a Net-Centric military | The System must fully support execution of all operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical | N/A | N/A | JITC certified KPP; JITC certification is renewed for each software update | The System must fully support execution of all operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical |

| | | | | |
|-------------|---|--|--|---|
| capability. | <p>requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW-RM Enterprise Services 4) Information assurance requirements including availability, integrity, authentication, confidentiality, and nonrepudiation, and issuance of an Approval to Operate by the Designated Approval Authority (DAA), and 5) Operationally effective information exchanges; and mission critical performance and information assurance</p> | | | <p>requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW-RM Enterprise Services 4) Information assurance requirements including availability, integrity, authentication, confidentiality, and nonrepudiation, and issuance of an Approval to Operate by the Designated Approval Authority (DAA), and 5) Operationally effective information exchanges; and mission critical performance and information assurance</p> |
|-------------|---|--|--|---|

| | | | | | |
|--|---|--|--|--|---|
| | attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. | | | | attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. |
|--|---|--|--|--|---|

Acronyms And Abbreviations

AFOTEC - Air Force Operational Test and Evaluation Center
 DISR - Department of Defense Information Technology Standards Registry
 DT - Developmental Testing
 GIG - Global Information Grid
 IOT&E - Initial Operational Test and Evaluation
 IT - Information Technology
 JITC - Joint Interoperability Test Command
 KIP - Key Interface Profile
 KPP - Key Performance Parameter
 NCOW-RM - Net-Centric Operations and Warfare Reference Model
 TV-1 - Technical Standards Profile

Change Explanations

None

Track To Budget

General Memo

RDT&E Program Element (PE) 0305205F was shared by the MQ-1 Predator, MQ-9 Reaper and Global Hawk program offices from FY 2002 - FY 2004.

RDT&E PE 0305219F were shared by the MQ-1 Predator and MQ-9 Reaper program office from FY 2005 - FY 2007.

Procurement ICN's PRDTA1 and PRDT01 were shared by the MQ-1 Predator and MQ-9 Reaper program office from FY 2002 - FY 2007.

Other shared PEs include requirements for MQ-9 Reaper Increment I and Increment II.

RDT&E

| | | | | |
|-----------|--------------|-------------------------------|-------------|--------|
| APPN 3600 | BA 07 | PE 0205219F | (Air Force) | |
| | Project 5246 | MQ-9 Development and Fielding | (Shared) | |
| APPN 3600 | BA 07 | PE 0305205F | (Air Force) | |
| | Project 4755 | | (Shared) | (Sunk) |
| APPN 3600 | BA 07 | PE 0305219F | (Air Force) | |
| | Project 5143 | | (Shared) | (Sunk) |

Procurement

| | | | | |
|-----------|------------|--------------------------|-------------|--------|
| APPN 3010 | BA 07 | PE 0205219F | (Air Force) | |
| | ICN 000075 | Organic Depot Activation | (Shared) | (Sunk) |
| APPN 3010 | BA 06 | PE 0205219F | (Air Force) | |
| | ICN 000999 | Initial Spares | (Shared) | |
| APPN 3010 | BA 05 | PE 0305205F | (Air Force) | |
| | ICN PRDT01 | Aircraft Modification | (Shared) | (Sunk) |
| APPN 3010 | BA 04 | PE 0305205F | (Air Force) | |
| | ICN PRDTA1 | Aircraft Procurement | (Shared) | (Sunk) |

| | | | |
|-----------|------------|-----------------------|-------------|
| APPN 3010 | BA 04 | PE 0205219F | (Air Force) |
| | ICN PRDTB1 | Aircraft Procurement | |
| APPN 3010 | BA 05 | PE 0205219F | (Air Force) |
| | ICN PRDTB2 | Aircraft Modification | |

MILCON

| | | | |
|-----------|----------------|-----------------|-------------|
| APPN 3300 | BA 01 | PE 0205219F | (Air Force) |
| | Project BHD000 | MQ-9 Operations | |

Cost and Funding

Cost Summary

Total Acquisition Cost and Quantity

| Appropriation | BY \$M | | | BY2008 \$M | TY \$M | | |
|----------------|-----------------------|---------------------------------|------------------|------------------|-----------------------|-----------------------|------------------|
| | SAR Baseline Prod Est | Current APB Objective/Threshold | Current Estimate | Current Estimate | SAR Baseline Prod Est | Current APB Objective | Current Estimate |
| RDT&E | 778.8 | -- | -- | 865.9 | 809.9 | -- | 904.0 |
| Procurement | 9824.0 | -- | -- | 10306.7 | 10866.0 | -- | 11435.9 |
| Flyaway | 8038.7 | -- | -- | 7928.3 | 8943.4 | -- | 8833.4 |
| Recurring | 8038.7 | -- | -- | 7928.3 | 8943.4 | -- | 8833.4 |
| Non Recurring | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| Support | 1785.3 | -- | -- | 2378.4 | 1922.6 | -- | 2602.5 |
| Other Support | 1109.0 | -- | -- | 774.9 | 1202.4 | -- | 840.9 |
| Initial Spares | 676.3 | -- | -- | 1603.5 | 720.2 | -- | 1761.6 |
| MILCON | 148.5 | -- | -- | 142.7 | 158.9 | -- | 156.7 |
| Acq O&M | 0.0 | -- | -- | 0.0 | 0.0 | -- | 0.0 |
| Total | 10751.3 | -- | -- | 11315.3 | 11834.8 | -- | 12496.6 |

The current estimate is based on the FY 2012 President's Budget, Increment I costs only, through the Future Years Defense Program. The "to complete" estimate, quantified at the 90% confidence level, is based on the draft estimate that is being prepared for the June 2011 Milestone C decision. The Air Force Cost Analysis Agency (AFCAA) and OSD Cost Assessment and Program Evaluation (CAPE) have not completed their estimate. AFCAA and OSD CAPE are on schedule to complete their estimate in support of the Milestone C decision.

| Quantity | SAR Baseline Prod Est | Current APB | Current Estimate |
|-------------|-----------------------|-------------|------------------|
| RDT&E | 3 | 0 | 3 |
| Procurement | 388 | 0 | 396 |
| Total | 391 | 0 | 399 |

Procurement quantity is the number of Reaper aircraft. Ground Control Stations and other equipment costs are included, but not used as a unit of measure.

An additional eight aircraft were procured in FY 2008. Six were approved via congressional notification letter in accordance with section 2308 of title 10, United States Code, buy to budget provisions. The two additional aircraft were originally funded by the Overseas Contingency Operations appropriation.

Cost and Funding**Funding Summary**

Appropriation and Quantity Summary
FY2012 President's Budget / December 2010 SAR (TY\$ M)

| Appropriation | Prior | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | To Complete | Total |
|----------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|--------------|
| RDT&E | 340.8 | 125.4 | 132.3 | 105.0 | 64.3 | 34.8 | 27.1 | 74.3 | 904.0 |
| Procurement | 2110.3 | 1232.2 | 1185.6 | 1378.8 | 1211.4 | 1211.9 | 1024.3 | 2081.4 | 11435.9 |
| MILCON | 47.2 | 11.7 | 0.0 | 47.8 | 0.0 | 0.0 | 0.0 | 50.0 | 156.7 |
| Acq O&M | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PB 2012 Total | 2498.3 | 1369.3 | 1317.9 | 1531.6 | 1275.7 | 1246.7 | 1051.4 | 2205.7 | 12496.6 |
| PB 2011 Total | 2533.0 | 1325.6 | 1440.8 | 1480.6 | 1200.7 | 1192.2 | 1148.4 | 1513.5 | 11834.8 |
| Delta | -34.7 | 43.7 | -122.9 | 51.0 | 75.0 | 54.5 | -97.0 | 692.2 | 661.8 |

| Quantity | Undistributed | Prior | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | To Complete | Total |
|-----------------|----------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|--------------|
| Development | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Production | 0 | 108 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 396 |
| PB 2012 Total | 3 | 108 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 399 |
| PB 2011 Total | 3 | 100 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 391 |
| Delta | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |

Cost and Funding

Annual Funding By Appropriation

Annual Funding TY\$

3600 | RDT&E | Research, Development, Test, and Evaluation, Air Force

| Fiscal Year | Quantity | End Item Recurring Flyaway TY \$M | Non End Item Recurring Flyaway TY \$M | Non Recurring Flyaway TY \$M | Total Flyaway TY \$M | Total Support TY \$M | Total Program TY \$M |
|-----------------|----------|-----------------------------------|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| 2002 | -- | -- | -- | -- | -- | -- | 7.8 |
| 2003 | -- | -- | -- | -- | -- | -- | 12.8 |
| 2004 | -- | -- | -- | -- | -- | -- | 20.9 |
| 2005 | -- | -- | -- | -- | -- | -- | 56.8 |
| 2006 | -- | -- | -- | -- | -- | -- | 10.1 |
| 2007 | -- | -- | -- | -- | -- | -- | 34.0 |
| 2008 | -- | -- | -- | -- | -- | -- | 55.9 |
| 2009 | -- | -- | -- | -- | -- | -- | 39.7 |
| 2010 | -- | -- | -- | -- | -- | -- | 102.8 |
| 2011 | -- | -- | -- | -- | -- | -- | 125.4 |
| 2012 | -- | -- | -- | -- | -- | -- | 132.3 |
| 2013 | -- | -- | -- | -- | -- | -- | 105.0 |
| 2014 | -- | -- | -- | -- | -- | -- | 64.3 |
| 2015 | -- | -- | -- | -- | -- | -- | 34.8 |
| 2016 | -- | -- | -- | -- | -- | -- | 27.1 |
| 2017 | -- | -- | -- | -- | -- | -- | 74.3 |
| Subtotal | 3 | -- | -- | -- | -- | -- | 904.0 |

Annual Funding BY\$**3600 | RDT&E | Research, Development, Test, and Evaluation, Air Force**

| Fiscal Year | Quantity | End Item Recurring Flyaway BY 2008 \$M | Non End Item Recurring Flyaway BY 2008 \$M | Non Recurring Flyaway BY 2008 \$M | Total Flyaway BY 2008 \$M | Total Support BY 2008 \$M | Total Program BY 2008 \$M |
|--------------------|-----------------|---|---|--|----------------------------------|----------------------------------|----------------------------------|
| 2002 | -- | -- | -- | -- | -- | -- | 8.9 |
| 2003 | -- | -- | -- | -- | -- | -- | 14.4 |
| 2004 | -- | -- | -- | -- | -- | -- | 22.9 |
| 2005 | -- | -- | -- | -- | -- | -- | 60.7 |
| 2006 | -- | -- | -- | -- | -- | -- | 10.5 |
| 2007 | -- | -- | -- | -- | -- | -- | 34.4 |
| 2008 | -- | -- | -- | -- | -- | -- | 55.5 |
| 2009 | -- | -- | -- | -- | -- | -- | 38.9 |
| 2010 | -- | -- | -- | -- | -- | -- | 99.7 |
| 2011 | -- | -- | -- | -- | -- | -- | 119.9 |
| 2012 | -- | -- | -- | -- | -- | -- | 124.7 |
| 2013 | -- | -- | -- | -- | -- | -- | 97.3 |
| 2014 | -- | -- | -- | -- | -- | -- | 58.6 |
| 2015 | -- | -- | -- | -- | -- | -- | 31.2 |
| 2016 | -- | -- | -- | -- | -- | -- | 23.9 |
| 2017 | -- | -- | -- | -- | -- | -- | 64.4 |
| Subtotal | 3 | -- | -- | -- | -- | -- | 865.9 |

FY 2002 RDT&E includes \$7.8M (TY\$) of Defense Emergency Response Funds (DERF).

RDT&E includes Increment I Block 1 and Block 5 costs.

Increment II costs are not included.

Annual Funding TY\$

3010 | Procurement | Aircraft Procurement, Air Force

| Fiscal Year | Quantity | End Item Recurring Flyaway TY \$M | Non End Item Recurring Flyaway TY \$M | Non Recurring Flyaway TY \$M | Total Flyaway TY \$M | Total Support TY \$M | Total Program TY \$M |
|-----------------|------------|-----------------------------------|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| 2002 | 4 | 60.4 | -- | -- | 60.4 | -- | 60.4 |
| 2003 | 4 | 36.8 | -- | -- | 36.8 | -- | 36.8 |
| 2004 | 5 | 65.9 | 1.8 | -- | 67.7 | 2.8 | 70.5 |
| 2005 | 5 | 79.0 | 9.0 | -- | 88.0 | 5.3 | 93.3 |
| 2006 | 2 | 94.6 | 10.5 | -- | 105.1 | 4.8 | 109.9 |
| 2007 | 12 | 107.5 | 52.5 | -- | 160.0 | 151.6 | 311.6 |
| 2008 | 28 | 210.7 | 54.6 | -- | 265.3 | 81.0 | 346.3 |
| 2009 | 24 | 219.9 | 138.4 | -- | 358.3 | 168.6 | 526.9 |
| 2010 | 24 | 244.9 | 123.9 | -- | 368.8 | 185.8 | 554.6 |
| 2011 | 48 | 518.5 | 278.8 | -- | 797.3 | 434.9 | 1232.2 |
| 2012 | 48 | 630.5 | 243.4 | -- | 873.9 | 311.7 | 1185.6 |
| 2013 | 48 | 666.0 | 334.1 | -- | 1000.1 | 378.7 | 1378.8 |
| 2014 | 48 | 643.3 | 337.4 | -- | 980.7 | 230.7 | 1211.4 |
| 2015 | 48 | 680.1 | 300.1 | -- | 980.2 | 231.7 | 1211.9 |
| 2016 | 48 | 684.2 | 249.0 | -- | 933.2 | 91.1 | 1024.3 |
| 2017 | -- | -- | 518.9 | -- | 518.9 | 192.8 | 711.7 |
| 2018 | -- | -- | 249.7 | -- | 249.7 | 19.6 | 269.3 |
| 2019 | -- | -- | 194.4 | -- | 194.4 | 13.9 | 208.3 |
| 2020 | -- | -- | 175.4 | -- | 175.4 | 14.3 | 189.7 |
| 2021 | -- | -- | 165.7 | -- | 165.7 | 13.9 | 179.6 |
| 2022 | -- | -- | 94.8 | -- | 94.8 | 14.0 | 108.8 |
| 2023 | -- | -- | 105.8 | -- | 105.8 | 15.2 | 121.0 |
| 2024 | -- | -- | 95.8 | -- | 95.8 | 15.0 | 110.8 |
| 2025 | -- | -- | 89.2 | -- | 89.2 | 15.0 | 104.2 |
| 2026 | -- | -- | 67.9 | -- | 67.9 | 10.1 | 78.0 |
| Subtotal | 396 | 4942.3 | 3891.1 | -- | 8833.4 | 2602.5 | 11435.9 |

Annual Funding BY\$
3010 | Procurement | Aircraft Procurement, Air Force

| Fiscal Year | Quantity | End Item Recurring Flyaway BY 2008 \$M | Non End Item Recurring Flyaway BY 2008 \$M | Non Recurring Flyaway BY 2008 \$M | Total Flyaway BY 2008 \$M | Total Support BY 2008 \$M | Total Program BY 2008 \$M |
|--------------------|-----------------|---|---|--|----------------------------------|----------------------------------|----------------------------------|
| 2002 | 4 | 68.0 | -- | -- | 68.0 | -- | 68.0 |
| 2003 | 4 | 40.8 | -- | -- | 40.8 | -- | 40.8 |
| 2004 | 5 | 71.1 | 1.9 | -- | 73.0 | 3.1 | 76.1 |
| 2005 | 5 | 82.9 | 9.4 | -- | 92.3 | 5.6 | 97.9 |
| 2006 | 2 | 96.7 | 10.7 | -- | 107.4 | 4.9 | 112.3 |
| 2007 | 12 | 107.1 | 52.3 | -- | 159.4 | 150.9 | 310.3 |
| 2008 | 28 | 206.7 | 53.6 | -- | 260.3 | 79.5 | 339.8 |
| 2009 | 24 | 212.7 | 133.8 | -- | 346.5 | 163.1 | 509.6 |
| 2010 | 24 | 233.3 | 118.1 | -- | 351.4 | 177.0 | 528.4 |
| 2011 | 48 | 486.6 | 261.7 | -- | 748.3 | 408.1 | 1156.4 |
| 2012 | 48 | 582.2 | 224.7 | -- | 806.9 | 287.8 | 1094.7 |
| 2013 | 48 | 604.7 | 303.4 | -- | 908.1 | 343.8 | 1251.9 |
| 2014 | 48 | 574.3 | 301.3 | -- | 875.6 | 205.9 | 1081.5 |
| 2015 | 48 | 597.0 | 263.5 | -- | 860.5 | 203.4 | 1063.9 |
| 2016 | 48 | 590.6 | 215.0 | -- | 805.6 | 78.6 | 884.2 |
| 2017 | -- | -- | 440.4 | -- | 440.4 | 163.7 | 604.1 |
| 2018 | -- | -- | 208.4 | -- | 208.4 | 16.4 | 224.8 |
| 2019 | -- | -- | 159.5 | -- | 159.5 | 11.4 | 170.9 |
| 2020 | -- | -- | 141.5 | -- | 141.5 | 11.6 | 153.1 |
| 2021 | -- | -- | 131.5 | -- | 131.5 | 11.0 | 142.5 |
| 2022 | -- | -- | 73.9 | -- | 73.9 | 11.0 | 84.9 |
| 2023 | -- | -- | 81.1 | -- | 81.1 | 11.7 | 92.8 |
| 2024 | -- | -- | 72.3 | -- | 72.3 | 11.3 | 83.6 |
| 2025 | -- | -- | 66.1 | -- | 66.1 | 11.2 | 77.3 |
| 2026 | -- | -- | 49.5 | -- | 49.5 | 7.4 | 56.9 |
| Subtotal | 396 | 4554.7 | 3373.6 | -- | 7928.3 | 2378.4 | 10306.7 |

End-item related costs include aircraft, Multi-spectral Targeting System-B (MTS-B) and government furnished equipment.

Non-end item recurring flyaway costs include retrofit, Ground Control Stations (GCS), communications and Airborne Signals Intelligence Payload 2C (ASIP-2C) sensors requirements. Retrofits include Block I to Block 5 depot and field retrofits, MTS-B retrofits, GCS retrofits and other miscellaneous communications and sensor retrofits.

The estimate includes 307 ASIP-2C sensors from FY 2013-2026. ASIP-2C is procured as alternate mission equipment and included in non-end item flyaway.

The estimate assumes Increment I Block 1 to Block 5 aircraft procurement stops in FY 2016 with Increment II Block 10 aircraft procurement starting in FY 2017. Increment II Block 10 aircraft are not included in the totals above.

FY 2002 Procurement includes \$29.1M (TY\$) of Defense Emergency Response Funds (DERF).

FY 2008 includes eight additional aircraft. Six procured via congressional notification letter, section 2308 of title 10, United States Code, buy to budget provision. The two additional aircraft were originally funded by the Overseas Contingency Operations appropriation.

FY 2011 includes \$43.7(TY\$) for organic depot activation. The organic depot activation estimate will be completed in conjunction with the June 2011 Milestone C decision. The "to complete" cost for organic depot activation is not included in this Selected Acquisition Report (SAR) submission but will be submitted in a June 2011 SAR.

Annual Funding TY\$
3300 | MILCON | Military Construction, Air
Force

| Fiscal Year | Total Program TY \$M |
|--------------------|-----------------------------|
| 2009 | 44.5 |
| 2010 | 2.7 |
| 2011 | 11.7 |
| 2012 | -- |
| 2013 | 47.8 |
| 2014 | -- |
| 2015 | -- |
| 2016 | -- |
| 2017 | 50.0 |
| Subtotal | 156.7 |

Annual Funding BY\$
3300 | MILCON | Military Construction, Air Force

| Fiscal Year | Total Program BY 2008 \$M |
|--------------------|----------------------------------|
| 2009 | 43.1 |
| 2010 | 2.6 |
| 2011 | 11.0 |
| 2012 | -- |
| 2013 | 43.5 |
| 2014 | -- |
| 2015 | -- |
| 2016 | -- |
| 2017 | 42.5 |
| Subtotal | 142.7 |

Low Rate Initial Production

There is no LRIP quantity for this program at this time.

Foreign Military Sales

| Country | Date of Sale | Quantity | Total Cost \$M | Memo |
|----------------|---------------------|-----------------|-----------------------|---|
| Italy | 11/20/2008 | 6 | 175.3 | Purchase of six aircraft and assorted support equipment |
| United Kingdom | 2/14/2007 | 6 | 247.7 | Purchase of six aircraft and assorted support equipment |

Nuclear Cost

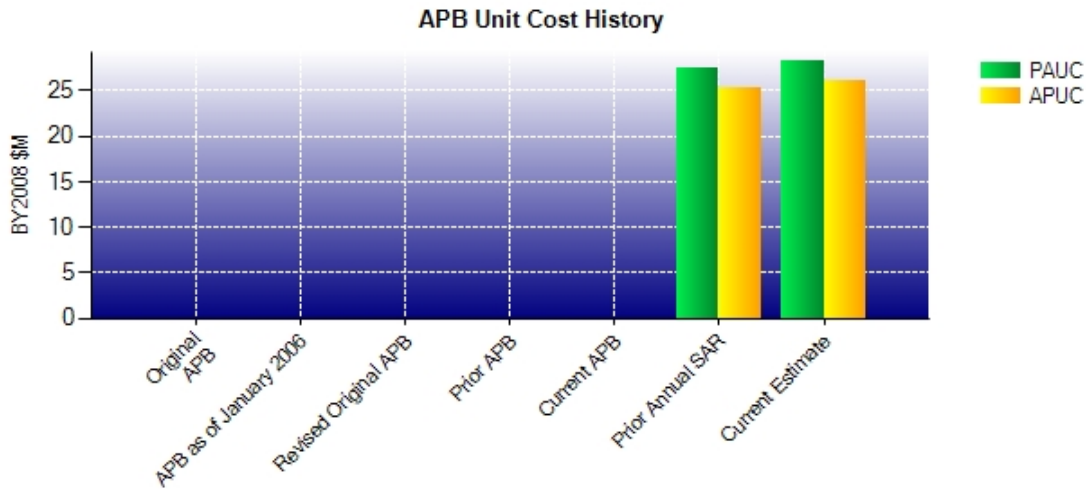
There are no Nuclear Cost data to display.

Unit Cost**Unit Cost Report**

| | BY2008 \$M | BY2008 \$M | |
|--------------------------------------|-------------------------|------------------------------------|----------------|
| Unit Cost | Current UCR Baseline | Current Estimate (DEC 2010 SAR) | BY % Change |
| Program Acquisition Unit Cost (PAUC) | | | |
| Cost | -- | 11315.3 | |
| Quantity | -- | 399 | |
| Unit Cost | -- | 28.359 | -- |
| Average Procurement Unit Cost (APUC) | | | |
| Cost | -- | 10306.7 | |
| Quantity | -- | 396 | |
| Unit Cost | -- | 26.027 | -- |

| | BY2008 \$M | BY2008 \$M | |
|--------------------------------------|--------------------------|------------------------------------|----------------|
| Unit Cost | Original UCR Baseline | Current Estimate (DEC 2010 SAR) | BY % Change |
| Program Acquisition Unit Cost (PAUC) | | | |
| Cost | -- | 11315.3 | |
| Quantity | -- | 399 | |
| Unit Cost | -- | 28.359 | -- |
| Average Procurement Unit Cost (APUC) | | | |
| Cost | -- | 10306.7 | |
| Quantity | -- | 396 | |
| Unit Cost | -- | 26.027 | -- |

Unit Cost History



| | Date | BY2008 \$M | | TY \$M | |
|------------------------|----------|------------|--------|--------|--------|
| | | PAUC | APUC | PAUC | APUC |
| Original APB | N/A | N/A | N/A | N/A | N/A |
| APB as of January 2006 | N/A | N/A | N/A | N/A | N/A |
| Revised Original APB | N/A | N/A | N/A | N/A | N/A |
| Prior APB | N/A | N/A | N/A | N/A | N/A |
| Current APB | N/A | N/A | N/A | N/A | N/A |
| Prior Annual SAR | DEC 2009 | 27.497 | 25.320 | 30.268 | 28.005 |
| Current Estimate | DEC 2010 | 28.359 | 26.027 | 31.320 | 28.879 |

SAR Unit Cost History

Current SAR Baseline to Current Estimate (TY \$M)

| Initial PAUC Prod Est | Changes | | | | | | | | PAUC Current Est |
|--------------------------|---------|--------|--------|-------|--------|-------|-------|-------|---------------------|
| | Econ | Qty | Sch | Eng | Est | Oth | Spt | Total | |
| 30.268 | -0.047 | -0.307 | -0.037 | 0.058 | -0.325 | 0.000 | 1.710 | 1.052 | 31.320 |

Current SAR Baseline to Current Estimate (TY \$M)

| Initial APUC Prod Est | Changes | | | | | | | | APUC Current Est |
|--------------------------|---------|--------|--------|-------|--------|-------|-------|-------|---------------------|
| | Econ | Qty | Sch | Eng | Est | Oth | Spt | Total | |
| 28.005 | -0.047 | -0.262 | -0.038 | 0.000 | -0.502 | 0.000 | 1.723 | 0.874 | 28.879 |

SAR Baseline History

| Item/Event | SAR Planning Estimate (PE) | SAR Development Estimate (DE) | SAR Production Estimate (PdE) | Current Estimate |
|-----------------------------|----------------------------------|-------------------------------------|-------------------------------------|---------------------|
| Milestone A | N/A | N/A | N/A | N/A |
| Milestone B | N/A | N/A | FEB 2004 | FEB 2004 |
| Milestone C | N/A | N/A | FEB 2008 | FEB 2008 |
| IOC | N/A | N/A | N/A | N/A |
| Total Cost (TY \$M) | N/A | N/A | 11834.8 | 12496.6 |
| Total Quantity | N/A | N/A | 391 | 399 |
| Prog. Acq. Unit Cost (PAUC) | N/A | N/A | 30.268 | 31.320 |

Cost Variance**Cost Variance Summary**

| Summary Then Year \$M | | | | |
|------------------------------|------------------|-------------|---------------|--------------|
| | RDT&E | Proc | MILCON | Total |
| SAR Baseline (Prod Est) | 809.9 | 10866.0 | 158.9 | 11834.8 |
| Previous Changes | | | | |
| Economic | -- | -- | -- | -- |
| Quantity | -- | -- | -- | -- |
| Schedule | -- | -- | -- | -- |
| Engineering | -- | -- | -- | -- |
| Estimating | -- | -- | -- | -- |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | -- | -- | -- | -- |
| Current Changes | | | | |
| Economic | -0.6 | -18.6 | +0.3 | -18.9 |
| Quantity | -- | +119.6 | -- | +119.6 |
| Schedule | -- | -14.9 | -- | -14.9 |
| Engineering | +23.3 | -- | -- | +23.3 |
| Estimating | +71.4 | -198.6 | -2.5 | -129.7 |
| Other | -- | -- | -- | -- |
| Support | -- | +682.4 | -- | +682.4 |
| Subtotal | +94.1 | +569.9 | -2.2 | +661.8 |
| Total Changes | +94.1 | +569.9 | -2.2 | +661.8 |
| CE - Cost Variance | 904.0 | 11435.9 | 156.7 | 12496.6 |
| CE - Cost & Funding | 904.0 | 11435.9 | 156.7 | 12496.6 |

| Summary Base Year 2008 \$M | | | | |
|-----------------------------------|------------------|---------------|---------------|---------------|
| | RDT&E | Proc | MILCON | Total |
| SAR Baseline (Prod Est) | 778.8 | 9824.0 | 148.5 | 10751.3 |
| Previous Changes | | | | |
| Economic | -- | -- | -- | -- |
| Quantity | -- | -- | -- | -- |
| Schedule | -- | -- | -- | -- |
| Engineering | -- | -- | -- | -- |
| Estimating | -- | -- | -- | -- |
| Other | -- | -- | -- | -- |
| Support | -- | -- | -- | -- |
| Subtotal | -- | -- | -- | -- |
| Current Changes | | | | |
| Economic | -- | -- | -- | -- |
| Quantity | -- | +103.2 | -- | +103.2 |
| Schedule | -- | -- | -- | -- |
| Engineering | +21.7 | -- | -- | +21.7 |
| Estimating | +65.4 | -213.6 | -5.8 | -154.0 |
| Other | -- | -- | -- | -- |
| Support | -- | +593.1 | -- | +593.1 |
| Subtotal | +87.1 | +482.7 | -5.8 | +564.0 |
| Total Changes | +87.1 | +482.7 | -5.8 | +564.0 |
| CE - Cost Variance | 865.9 | 10306.7 | 142.7 | 11315.3 |
| CE - Cost & Funding | 865.9 | 10306.7 | 142.7 | 11315.3 |

Previous Estimate: December 2009

| RDT&E | \$M | |
|--|------------------|------------------|
| | Base Year | Then Year |
| Current Change Explanations | | |
| Revised escalation indices. (Economic) | N/A | -0.6 |
| Increase due to Engineering Change Proposals for Automatic Take-Off and Landing, Ground Control Stations High Definition and Lynx Synthetic Aperture Radar improvements. (Engineering) | +21.7 | +23.3 |
| Increase due to additional requirements for development of an Exportable MQ-9 UAS Reaper and multi-aircraft control capabilities. (Estimating) | +65.4 | +71.4 |
| RDT&E Subtotal | +87.1 | +94.1 |

| Procurement | \$M | |
|---|------------------|------------------|
| | Base Year | Then Year |
| Current Change Explanations | | |
| Revised escalation indices. (Economic) | N/A | -18.6 |
| Quantity variance resulting from an increase of eight MQ-9 UAS Reaper aircraft from 388 to 396. (Quantity) | +103.2 | +119.6 |
| Acceleration of procurement buy profile. Eight additional MQ-9 UAS Reaper aircraft were procured in FY 2008. (Six via congressional notification letter, section 2308 of title 10, United States Code, buy to budget provisions; two were funded by the Overseas Contingency Operations appropriation) (Schedule) | 0.0 | -14.9 |
| Adjustment for current and prior escalation. (Estimating) | +2.0 | +1.7 |
| Increase due to depot activation funding received in FY 2011. (Estimating) | +41.0 | +43.7 |
| Decrease due to rescission of funds included in FY 2009. (Estimating) | -44.3 | -45.2 |
| Decrease in total flyaway costs due to efficiencies achieved in direct labor costs associated with aircraft, sensors and government furnished equipment. (Estimating) | -212.3 | -198.8 |
| Adjustment for current and prior escalation. (Support) | +0.5 | +0.9 |
| Decrease in Other Support. (Subtotal) | -334.6 | -360.3 |
| Increase in Other Support due to new support requirements for Airborne Signal Intelligence Payload 2C sensors and aircraft production support. (Support) | (+110.5) | (+118.1) |
| Decrease in Other Support costs due to realignment to Initial Spares. (Support) | (-445.1) | (-478.4) |
| Increase in Initial Spares. (Subtotal) | +927.2 | +1041.8 |
| Increase in Initial Spares due to requirement to support 65 Combat Air Patrol and the revised estimate including field reliability information and retrofit initial Spares. (Support) | (+482.1) | (+563.4) |
| Increase in Initial Spares due to realignment of costs from other support. (Support) | (+445.1) | (+478.4) |
| Procurement Subtotal | +482.7 | +569.9 |

| MILCON | \$M | |
|---|------------------|------------------|
| | Base Year | Then Year |
| Current Change Explanations | | |
| Revised escalation indices. (Economic) | N/A | +0.3 |
| Decrease due to rephasing of MILCON requirement. (Estimating) | -5.8 | -2.5 |
| MILCON Subtotal | -5.8 | -2.2 |

Contracts

Appropriation: RDT&E

Contract Name **Block 50 Ground Control Station (GCS) Modernization**
Contractor General Atomics Aeronautical Systems, Inc.
Contractor Location San Diego, CA 92065
Contract Number, Type FA8620-05-G-3028/30, CPFF
Award Date March 25, 2010
Definitization Date March 25, 2010

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 17.2 | N/A | N/A | 85.2 | N/A | N/A | 85.2 | 85.2 |

| Variance | Cost Variance | Schedule Variance |
|---|---------------|-------------------|
| Cumulative Variances To Date (12/30/2010) | -3.1 | -2.4 |
| Previous Cumulative Variances | -- | -- |
| Net Change | -3.1 | -2.4 |

Cost And Schedule Variance Explanations

The net unfavorable cost variance was driven by the legacy program overrun. Overrun was realized and funded in November 2009.

The net unfavorable schedule variance was driven by delays in software development due to availability of software engineering personnel. Delays were encountered while training a large number of new hires. Delays and rework in computing, networking, and recording subsystems were caused by greater than anticipated complexity of key requirements.

Contract Comments

This is the initial report for this contract.

The difference between the initial and current price is due to contract rebaselining.

Appropriation: Procurement

Contract Name MQ-9 Spares
Contractor General Atomics Aeronautical Systems, Inc.
Contractor Location San Diego, CA 92065
Contract Number, Type FA8620-05-G-3028/34, FFP
Award Date August 31, 2007
Definitization Date June 04, 2009

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 61.4 | N/A | N/A | 78.9 | N/A | N/A | 78.9 | 78.9 |

Cost And Schedule Variance Explanations

Cost and Schedule variance reporting is not required on this FFP contract.

Contract Comments

The difference between Initial and Current Price is due to additional Overseas Contingency Operation (OCO) spares and support equipment requirements.

The change in current contract price and estimated price at completion from the December 2009 report (\$80.9M) and the December 2010 report (\$78.9M) was due to a part deletion and corresponding partial termination for convenience.

This contract is 90% complete and will no longer be reported.

Appropriation: RDT&E

Contract Name MQ-9 System Development and Demonstration Bridge DO 49
Contractor General Atomics Aeronautical Systems Inc
Contractor Location San Diego, CA 92127-1713
Contract Number, Type FA8620-05-G-3028/49, CPIF
Award Date July 17, 2009
Definitization Date July 17, 2009

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 39.3 | N/A | N/A | 48.6 | N/A | N/A | 57.4 | 60.8 |

| Variance | Cost Variance | Schedule Variance |
|--|---------------|-------------------|
| Cumulative Variances To Date (1/31/2011) | -0.1 | -5.3 |
| Previous Cumulative Variances | -- | -- |
| Net Change | -0.1 | -5.3 |

Cost And Schedule Variance Explanations

This is the initial report for this contract.

The net unfavorable cost variance was due to heavy-weight landing gear testing having to be re-accomplished due to test equipment failure and forward bay redesign.

The net unfavorable schedule variance was driven by the availability of mission control module/payload control computer hardware, lack of assigned resources for software development tasks based on requirements for concurrent software builds, and forward bay redesign requirements.

A large amount of schedule variance is expected to be recovered in early FY 2011 with the completion of the critical design review and release of software build Rev 904.4.

Contract Comments

Appropriation: Procurement

Contract Name **GWOT Aircraft**
Contractor General Atomics Aeronautical Systems, Inc
Contractor Location San Diego, CA 92064
Contract Number, Type FA8620-05-G-3028/50, FFP
Award Date November 26, 2008
Definitization Date January 04, 2010

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 115.2 | N/A | 16 | 316.7 | N/A | 40 | 316.7 | 316.7 |

Cost And Schedule Variance Explanations

Cost and Schedule variance reporting is not required on this FFP contract.

Contract Comments

The initial price for this contract reported in the December 2009 Selected Acquisition Report was incorrect. The correct initial contract price is \$115.2M.

The difference between Initial and Current Price is due to contract definitization, award of various contract options for additional requirements, and a change in quantity.

Appropriation: Procurement

Contract Name **Multi-spectral Targeting System 2009 Production, Spares, Retrofits and Containers**
 Contractor Raytheon Company
 Contractor Location McKinney, TX 75069
 Contract Number, Type FA8620-06-G-4041/8, FFP/CPFF
 Award Date September 17, 2008
 Definitization Date February 26, 2010

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 25.4 | N/A | N/A | 76.2 | N/A | N/A | 76.2 | 76.2 |

Cost And Schedule Variance Explanations

Cost and Schedule variance reporting is not required on this FFP/CPFF contract.

Contract Comments

The difference between additional and current contract price is due to contract modifications for additional lot buys.

This contract is 90% complete and will no longer be reported.

Appropriation: Procurement

Contract Name **Multi-spectral Targeting System Production and Modification**
 Contractor Raytheon Company
 Contractor Location McKinney, TX 75069
 Contract Number, Type FA8620-06-G-4041/10, FFP/CPFF
 Award Date July 23, 2009
 Definitization Date October 07, 2010

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 87.3 | N/A | N/A | 128.1 | N/A | N/A | 128.1 | 128.1 |

Cost And Schedule Variance Explanations

Cost and Schedule variance reporting is not required on this FFP/CPFF contract.

Contract Comments

The difference between Initial and Current Contract Price is due to quantity increases as the result of exercising contract options in support of Overseas Contingency Operation requirements.

Appropriation: Procurement

Contract Name MQ-9 FY10 Production Effort
Contractor General Atomics Aeronautical Systems, Inc.
Contractor Location San Diego, CA 92064
Contract Number, Type FA8620-10-G-3038/28, FFP
Award Date February 03, 2011
Definitization Date February 03, 2011

| Initial Contract Price (\$M) | | | Current Contract Price (\$M) | | | Estimated Price At Completion (\$M) | |
|------------------------------|---------|-----|------------------------------|---------|-----|-------------------------------------|-----------------|
| Target | Ceiling | Qty | Target | Ceiling | Qty | Contractor | Program Manager |
| 148.3 | N/A | 24 | 198.5 | N/A | 32 | 198.5 | 198.5 |

Cost And Schedule Variance Explanations

Cost and Schedule variance reporting is not required on this FFP contract.

Contract Comments

This is the initial report for this contract.

Deliveries and Expenditures

| Deliveries To Date | Plan To Date | Actual To Date | Total Quantity | Percent Delivered |
|---|---------------------|-----------------------|-----------------------|--------------------------|
| Development | 3 | 3 | 3 | 100.00% |
| Production | 64 | 62 | 396 | 15.66% |
| Total Program Quantities Delivered | 67 | 65 | 399 | 16.29% |

| Expenditures and Appropriations (TY \$M) | | | |
|---|---------|----------------------------|--------|
| Total Acquisition Cost | 12496.6 | Years Appropriated | 10 |
| Expenditures To Date | 1332.2 | Percent Years Appropriated | 40.00% |
| Percent Expended | 10.66% | Appropriated to Date | 3867.6 |
| Total Funding Years | 25 | Percent Appropriated | 30.95% |

Operating and Support Cost

Assumptions And Ground Rules

The operating and support (O&S) costs reported in this Selected Acquisition Report (SAR) are from the program office (PO) estimate dated November 2009. The Contractor Logistics Support (CLS) costs are based upon actual costs.

The O&S estimate includes all Cost Analysis Improvement Group elements – Unit Personnel, Unit Operations, Maintenance, Sustaining Support, Continuing System Improvements, and Indirect Support. The MQ-9 UAS Reaper has been flying operations since 2002. Historical costs are attained from monthly CLS cost reports, Air Force Total Ownership Cost (AFTOC) actuals, and other data sources. Future costs are based on flying hour projects, manpower projections, the number of operating locations, and applicable rates and factors. Flying hours are based on the number of anticipated Combat Air Patrols (CAPs). Air Combat Command (ACC) defines a rate of 7,300 flying hours per year per CAP. The attrition rate is based upon the official Air Force Studies and Analysis MQ-9 UAS Reaper attrition model.

Unit Personnel costs are derived using the AFTOC database to determine an average cost per flying hour for operations, maintenance, and support personnel. Unit Operations cost factors include fuel, training munitions, and temporary duty costs. Maintenance costs include Operational-level (O-level), Depot-level (D-level), and Government Furnished Equipment (GFE) repair. Sustaining Support is derived from actual costs from previous years captured from the AFTOC database, and converted to a cost per flying hour. Continuing System Improvements costs include Reliability & Maintainability (R&M) Enhancements and Software Maintenance supported via the CLS contract. Indirect Support costs are based on factors from Air Force Instruction (AFI) 65-503 table A56-1, which were applied against manpower projections provided by Air Combat Command Air Regular Warfare Division.

O&S costs are split between Increment I (Block 1 and Block 5) and Increment II (Block 10) starting in FY 2019 by evaluating the configuration of the aircraft in the inventory at the end of each year. All costs are transitioned to Increment II by the end of FY 2029. Increment II costs are not included in this SAR. Total Increment I estimated flying hours for the MQ-9 UAS Reaper is 5.1 million over the program life cycle.

The cost per flying hour increased from the December 2009 SAR due to increases in CLS infrastructure, mishap repair, and Block 5 aircraft depot repair costs. The increase in infrastructure costs is a result of increased field engineering support requests, technical order maintenance changes, software maintenance, and other support activities resulting from the fielding of additional aircraft and ground control station configurations. The mishap repair costs were incorrectly omitted from last year's SAR. The mishap repair costs are required to support continental United States and outside continental United States aircraft incidents. The increase in depot repair costs results from the additional cost of the Block 5 aircraft configuration.

The PO recently received the draft MQ-9 Manpower Estimate Report (MER) and is currently updating the O&S estimate with Air Force Cost Analysis Agency and Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation. The PO plans to submit updated O&S costs in an out of cycle SAR in June 2011. These updated O&S costs will be based on the updated MER and final OSD estimate as approved by the Milestone C decision.

| Costs BY2008 \$K | | |
|--|---|---|
| Cost Element | MQ-9 UAS REAPER Avg Cost per Flying Hour | MQ-1 Predator Avg Cost per Flying Hour |
| Unit-Level Manpower | 0.815 | 0.724 |
| Unit Operations | 0.176 | 0.123 |
| Maintenance | 1.714 | 1.265 |
| Sustaining Support | 0.180 | 0.132 |
| Continuing System Improvements | 0.066 | 0.000 |
| Indirect Support | 0.100 | 0.791 |
| Other | -- | -- |
| Total Unitized Cost (Base Year 2008 \$) | 3.051 | 3.035 |

| Total O&S Costs \$M | MQ-9 UAS REAPER | MQ-1 Predator |
|--------------------------------|------------------------|----------------------|
| Base Year | 15444.9 | 7899.7 |
| Then Year | 18221.3 | 8559.9 |