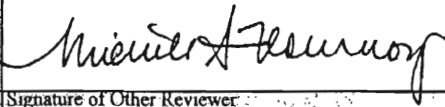
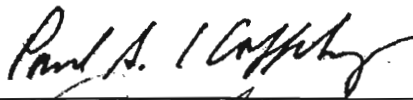
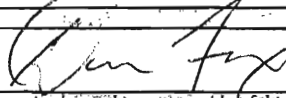


Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Date of Appointment, Candidacy, Election or Nomination (Month, Day, Year)	Reporting Status (Check appropriate boxes) <input type="checkbox"/> Incumbent	Calendar Year Covered by Report	New Entrant, Nominee or Candidate <input checked="" type="checkbox"/>	Termination Filer <input type="checkbox"/>	Termination Date (If Applicable) (Month, Day, Year)	Fee for Late Filing Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a \$200 fee.
Reporting Individual's Name	Last Name Flournoy		First Name and Middle Initial Michele A.			
Position for Which Filing	Title of Position Under Secretary of Defense for Policy		Department or Agency (If Applicable) Department of Defense			
Location of Present Office (or forwarding address)	Address (Number, Street, City, State, and ZIP Code) Center for a New American Security, 1301 Pennsylvania Ave, #403, Washington, DC 20004			Telephone No. (Include Area Code) (202) 457-9400		
Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held None					
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination Senate Armed Services Committee		Do You Intend to Create a Qualified Diversified Trust? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Certification	Signature of Reporting Individual		Date (Month, Day, Year)			
I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.			1/13/09			
Other Review (If desired by agency)	Signature of Other Reviewer		Date (Month, Day, Year)			
Agency Ethics Official's Opinion	Signature of Designated Agency Ethics Official/Reviewing Official		Date (Month, Day, Year)			
On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).			01-13-09			
Office of Government Ethics Use Only	Signature		Date (Month, Day, Year)			
			1/13/09			
Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)						
(Check box if filing extension granted & indicate number of days _____) <input type="checkbox"/>						
(Check box if comments are continued on the reverse side) <input type="checkbox"/>						
Agency Use Only						
OGE Use Only						

Reporting Individual's Name

SCHEDULE A

Page Number

1

Flournoy, Michele A.

Assets and Income BLOCK A		Valuation of Assets at close of reporting period BLOCK B										Income: type and amount. If "None (or less than \$200)" is checked, no other entry is needed in Block C for that item. BLOCK C																	
		\$0 - \$1,000	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 - \$5,000,000	\$5,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000	Excluded Trust	Other	Dividends	Gain on Royalties	Interest	Capital Gains	None (or less than \$200)	\$0 - \$1,000	\$1,001 - \$2,500	\$2,501 - \$5,000	\$5,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	Over \$500,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
<p>For you, your spouse, and dependent children report each asset held for investment or the production of income which had a fair market value exceeding \$1,000 at the close of the reporting period, or which generated more than \$200 in income during the reporting period, together with such income.</p> <p>For yourself, also report the source and actual amount of earned income exceeding \$200 (other than from the U.S. Government). For your spouse report the source but not the amount of earned income of more than \$1,000 (except report the actual amount of any honoraria over \$200 of your spouse).</p> <p>None <input type="checkbox"/></p>																													
<p>Examples</p> <p>Central Airlines Common</p> <p>Doe Jones & Smith, Hometown, State</p> <p>Kempstone Equity Fund</p> <p>IRA: Heartland 500 Index Fund</p>																													
1	Center for a New American Security (CNAS)																											Salary: \$254,820	
2	AVA Partners - partnership formed with my spouse- consulting See Schedule D for individual clients																											Consulting fees \$60,000.00	
3	New York University																											Honorarium \$5,000.00	5/23/08
4	Center for American Progress																											Honorarium \$1,500.00	11/15/08
5	S: IBM																											Salary/bonuses	
6	S: Unitech Corporation																											Bd of Directors fee	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

SCHEDULE A continued
 (Use only if needed)

Florunoy, Michele A.

BLOCK A Assets and Income	BLOCK B Valuation of Assets at close of reporting period							BLOCK C Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.					Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria	
	None <input type="checkbox"/>	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	Over \$500,000*	Excepted Asset	Type		Amount				
									Dividends	None (or less than \$201)	None (or less than \$201)	\$1,001 - \$2,500			\$2,501 - \$5,000
1															
2															
3															
4														Bd of Trustees Fees \$5,000	
5														Honorarium \$2,000	8/22/08
6														Honorarium \$1,500	1/18/08
7														Honorarium \$2,000	2/27/08
8														Honorarium \$2,000	2/28/08
9														Honoraria: \$1,000, \$500, and \$250	1/2/08 4/11/08 8/18/08

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Reporting Individual's Name
 Flournoy, Michele A.

SCHEDULE A-continued
 (Use only if needed)

Page Number
 3

BLOCK A Assets and Income	BLOCK B Valuation of Assets at close of reporting period								BLOCK C Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.		Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria		
	None	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	Over \$500,000	Excepted Trust	Excepted Fund	Type			Amount	
1 S: IBM Retirement Account (401K) consisting of:														
2 Aggressive Life Strategy Fund														
Stable Value Fund				x										
Stable Value Fund														
3 IBM Stock		x							x					
IBM Stock: vested/unvested options				x					x					
IBM Restricted Stock Units														
4 (see attachment for options and RSU)														
Inflation Protection Bond Fund										x				
5 S: Retirement.com (stock options)		x												
6 USAA Federal Savings Bank (savings)										x				
7 USAA Federal Savings Bank (checking)											x			
8 USAA Federal Savings Bank - CD										x				
9 S: Time Domain Corp. (stock options)														

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children mark the other higher categories of value, as appropriate.

Reporting Individual's Name
 Flournoy, Michele A.

SCHEDULE A continued
 (Use only if needed)

Page Number
 4

BLOCK A	BLOCK B							BLOCK C							Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr) Only if Honoraria		
	Valuation of Assets at close of reporting period	None	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	Over \$500,000	Accepted interest in trust	Qualified Plan	Dividends	Interest	None (or less than \$201)	\$1,001 - \$2,500			\$2,501 - \$5,000	\$5,001 - \$15,000
1	S: Aegis Capital Corp 2.81% ownership, LLC NY, NY											X						
2	S: Unitech Corp - (stock options)											X						
3	Wells Fargo Mortgage Escrow		X								X		X					
4	TIAA CREF consisting of: TIAA Traditional TIAA Real Estate										X		X	X				
5	CREF Stock		X									X						
6	Maryland College Investment Plan Age Based Option: Moderate Portfolio		X							X								
7	Maryland College Investment Plan Age Based Option: Moderate Portfolio		X							X								
8	AVA Partners Retirement Plan Consisting of: CD- (cash)										X		X					
9	CMA Account (cash)		X							X		X						

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children mark the other higher categories of value, as appropriate.

Reporting Individual's Name
 Flournoy, Michele A.

SCHEDULE A continued
 (Use only if needed)

Assets and Income BLOCK A	Valuation of Assets at close of reporting period BLOCK B								Income: type and amount. If "None (or less than \$20)" is checked, no other entry is needed in Block C for that item.		Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria				
	None <input type="checkbox"/>		\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000			Excepted Trusts	Other Assets	Type	Amount
1 AVA Retirement continued:																
FNMA Notes												Dividends				
2 HSBC Finance Corp notes												Interest				
3 BlackRock Global Fund				X								Capital Gain				
4 Davis NY Venture Fund												None (or less than \$20)				
5																
6 S:IRA (USAA) Balanced Asset Strategy Fund					X											
7 IRA (USAA) Balanced Asset Strategy Fund		X														
8 CNAS 403b consisting of:																
Franklin Total R Return		X														
American Funds Growth Fund		X														
9 Thornburg International Value		X														

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children mark the other higher categories of value, as appropriate.

Reporting Individual's Name
 Flournoy, Michele A.

SCHEDULE A continued
 (Use only if needed)

Page Number
 6

BLOCK A Assets and Income	BLOCK B Valuation of Assets at close of reporting period								BLOCK C Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.											
	None	None (or less than \$1,000)	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	Over \$1,000,000*	None	Dividends	Interest	None (or less than \$201)	\$1,001 - \$2,500	\$2,501 - \$5,000	\$5,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	Over \$1,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1 S: Dolores C. Gould Trust consisting of:																				
2 Bank Deposit Program (BDP)																				
Bank of America Corp (BAC)			x							x										
3 Barrett Business Services, Inc. (BBSI)			x									x								
Cantel Medical Corp (CMN)			x									x								
4 Coca Cola Enterprises Inc. (CCE)			x									x								
Eaton Vance Corp (EV)										x										
5 Energy Transfer Equity LP (ETE)										x										
First Aviation Services Inc. (FAVS)			x									x								
6 Microsoft Corp (MSFT)			x							x										
On Semiconductor Corp (ONNN)												x								
7 Oracle Corp (ORCL)			x									x								
Penn West Energy TR-CAD (PWE)			x							x			x							
8 Plains All American Pipeline LP (PAA)					x					x					x					
Prudential Financial Inc (PRU)			x									x								
9 United Parcel Service (UPS)			x							x										

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children mark the other higher category.

Prior Editions Cannot be Used.

Do not Complete Schedule B if you are a new entrant, nominee, Vice Presidential or Presidential Candidate

Reporting Individual's Name: **SCHEDULE B** Page Number: **7**

Part I: Transactions

None

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000. Include transactions that resulted in a loss. Do not

report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

1	2	3	4	5	Identification of Assets	Transaction Type (x)			Date (Mo., Day, Yr.)	Amount of Transaction (\$)											Certificate of divestiture					
						Purchase	Sale	Exchange		\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	Over \$1,000,000	\$1,000,001 - \$5,000,000	\$5,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000						
					Example: Central Airlines Common	x			2/1/99				x													
1																										
2																										
3																										
4																										
5																										

* This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

Part II: Gifts, Reimbursements, and Travel Expenses

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than \$260, and (2) travel-related cash reimbursements received from one source totaling more than \$260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. Exclude anything given to you by

the U.S. Government; given to your agency in connection with official travel received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth \$104 or less. See instructions for other exclusions.

None

1	2	3	4	5	Source (Name and Address)	Brief Description	Value
					Example: Natl Assn. of Rock Collectors, NY, NY Frank Jones, San Francisco, CA	Airline ticket, hotel room, & meals incident to national conference 4/15/99 (personal activity unrelated to duty). Leather briefcase (personal friend)	\$500 \$300
1							
2							
3							
4							
5							

Reporting Individual's Name Flournoy, Michele A.	SCHEDULE C	Page Number 8
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Part I: Liabilities

Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. Exclude a mortgage on your

personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None

Category of Amount or Value (x)

Creditor's (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (x)																
					\$10,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	Over \$1,000,000	\$1,000,001 - \$5,000,000	\$5,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000						
Examples: First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.																	
John Jones, 123 J St., Washington, DC	Promissory note	1999	10%	on demand																	
1																					
2																					
3																					
4																					
5																					

* This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. 401k, deferred compensation); (2) continuation payment by a former employer (including severance payments); (3) leaves

of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None

Status and Terms of any Agreement or Arrangement	Parties	Date
Example: Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1 CNAS - 403(b) I will continue to participate in this plan. No further contributions will be made by employer.	CNAS	2/1/07
2 CSIS 403(b) - I will continue to participate in this plan consisting of TIAA-CREF listed on Sched. A. No further contributions made by employer.	CSIS	2000
3 AVA Partners - retirement plan. Holdings listed on Sched. A. Partnership with my spouse. Firm will be dormant during my DoD appointment.	AVA Partners	1/1/04
4		
5		
6		

Reporting Individual's Name Flournoy, Michele A.	SCHEDULE D	Page Number 9
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Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or

consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None

	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	Center for a New American Security	Non-profit think tank	President and Co-Founder	1/07	present
2					
3	AVA Partners	Consulting firm	Managing Director	1/03	present
4	Women in International Security, Georgetown University	Non-profit education	Member, Executive Board	1999	present
5	Institute for Defense Analyses	Non-profit FFRDC	Trustee	2007	present
6	W. Scott Gould and Michele Flournoy Revocable Trusts	Revocable trust	Co-Trustee	2006	present

Part II: Compensation In Excess Of \$5,000 Paid by One Source

Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any

corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate

None

	Source (Name and Address)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	Center for a New American Security	Salary
2	Lockheed Martin Corp (through AVA Partners)	Consulting fees
3	BAE Systems North America (through AVA Partners)	Consulting fees
4	MPRI (through AVA Partners)	Speaking fees
5	SAIC (through AVA Partners)	Consulting fees
6	Institute for Defense Analyses	Board of Trustees fees

Attachment to 278 Report of Michele A. Flournoy

Note to Page 3, Line 3, IBM Stock Option

(S) IBM Securities

IBM vested stock options: 1059 shares at \$101.33 – value not readily ascertainable - expiration 2015.

IBM unvested stock option: 354 shares at \$101.33: (vest on 03/08/09) - value not readily ascertainable – expiration 2015.

IBM Restricted Stock Units – 250 shares at \$82.76 – (vest 5/2010) – value not ascertainable – (no expiration)

IBM Restricted Stock Units – 264 shares at \$102.80 – (132 units vest 5/2009) (132 vest unit 5/2011) (no expiration)

IBM Restricted Stock Units – 468 shares at \$124.46 – (234 vest 5/2010) (234 vest 5/2012) (no expiration)