



# SAF/SB Media Summary

14—20 January 2011

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## ARTICLE SUMMARIES

Ctrl+ click on the article headlines below to read the full articles.

### SMALL BUSINESS

#### Presidential Memoranda - Regulatory Flexibility, Small Business, and Job Creation

*The White House Office of the Press Secretary*

Small businesses play an essential role in the American economy; they help to fuel productivity, economic growth, and job creation. More than half of all Americans working in the private sector either are employed by a small business or own one. During a recent 15-year period, small businesses created more than 60 percent of all new jobs in the Nation. Although small businesses and new companies provide the foundations for economic growth and job creation, they have faced severe challenges as a result of the recession. One consequence has been the loss of significant numbers of jobs.

#### Oklahoma City Company to Train Air Force on KC-135

*The Oklahoman*

Delaware Resource Group was named a small business contractor to CAE USA, which recently won a nine-month contract and nine one-year options to provide comprehensive KC-135 aircrew training services to the U.S. Air Force. "This is a major USAF training contract, one of their largest," said Philip Busey Jr., senior vice president of public relations for Delaware Resource Group. "It certainly solidifies our reputation in the marketplace as an industry leader."

#### VA to Start Verifying Veteran-Owned Businesses

*Watertown Daily Times*

The Department of Veterans Affairs will now verify that purportedly veteran-owned businesses it works with are indeed owned by veterans. "VA is committed to doing business with as well as supporting and protecting veteran-owned small businesses," Secretary of Veterans Affairs Eric K. Shinseki said, in a release. "Although the verification process may initially be a challenge to some small business owners and to VA, it's a necessary step to eliminate misrepresentation by firms trying to receive contracts that should go to service-disabled and other veteran-owned vendors."



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## **CUs Help Turn GIs Into Entrepreneurs**

*Credit Union Times*

Turning to their local credit unions, military personnel are transitioning back into civilian life by starting up businesses such as chiropractic firms, franchise restaurants and even shoe stores. Some are also taking skills they've learned to become entrepreneurs and in the process are also helping to boost the popularity of a government program that provides special loans to help them start and expand their businesses. Launched in June 2007, the SBA's Patriot Express program provides loans up to \$500,000 with an interest rate generally from 2.25 to 4.75 points over prime depending upon the size and maturity of the loan.

## **SBA To Offer Grants And Contracting Jobs To Help Small Businesses**

*Star Global Tribune*

The U.S. Small Business Administration is taking proposals that will fund grants to qualified nationwide organizations so they can offer such items as training, guidance, mentoring, and even procurement assistance to small business. These new initiatives would take the form of a team arrangement whereby the small business would either joint venture or sub-contract from the certified SBA assistance provider. The Small Business Teaming Pilot program was created by Congress under the auspices of the Jobs Act of 2010. The SBA expects to provide a total of \$5 million awards for 2011. This would be divided among 10 to 20 separate grants valued at \$250,000 to \$500,000 each.

## **WPAFB Engineer Evaluated Brother's Contracting Firm**

*Springfield News-Sun*

The Air Force allowed an engineering official to evaluate the performance of a construction contractor at Wright-Patterson Air Force Base even though the official's brother was part owner of a company that worked directly for the contractor. Base officials said David N. Price's favorable assessments of the performance of Arctic Pipe & Materials (APM) LLC, which began in 2007 and continued until Price's retirement in 2009, were reviewed and approved by other base officials as part of a group review process. And they said Air Force lawyers concluded there was no violation of ethics laws because the government did not choose APM's subcontractors. Price's involvement also did not benefit himself, a spouse or a child. But two specialists in business ethics said the evaluation process created the appearance of a conflict.

## **Axion International Awarded \$100,000 Railroad Tie Sub-Contract in Support of Requirements Issued by Beale Air Force Base in Northern California**

*BusinessWire*

Axion International (OTCBB: AXIH), producer of the world's strongest recycled composite plastic industrial building products and railroad ties, announced it has been awarded a \$100,000 railroad tie sub-contract in support of 3D Global Solutions winning proposal with Beale Air Force Base in Northern California. 3D Global Solutions, Inc., a Service-Disabled Veteran-Owned Small Business, assisted Axion in helping secure the sub-contract to provide its structural composite railroad ties, designed from 100% recycled plastic. The contract calls for the ties to be delivered by March 1, 2011 to Beale Air Force Base in Marysville, CA. The ties are to be used as a replacement for existing lines on the base that have been in place for some time.



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## SBIR/STTR

### **AVIRTEK, INC. Awarded \$750K Phase II STTR Grant From the United States Air Force**

*PR-USA.net*

AVIRTEK, INC. announced today that the United States Air Force (USAF), has awarded the company a \$750K Phase II Small Business Technology Transfer (STTR) grant. In a teaming arrangement with Raytheon and the University of Arizona, AVIRTEK will apply the grant to develop and prototype a Cyber Battle Management System (CBMS), which will be the foundation of the next generation of cyber behavior analysis units that can detect and protect against any anomalous and malicious activities against cyber space resources and services.

### **Shaheen Committed to Saving Small Business Research Program**

*Fosters Daily Democrat*

The federal Small Business Innovation Research program is once again facing possible extinction — a fate New Hampshire U.S. Sen. Jeanne Shaheen has been working hard to prevent. A stopgap measure last year temporarily saved SBIR, along with the Small Business Technology Transfer program, or STTR — both of which are overseen by the U.S. Small Business Administration, but that short-term reauthorization is due to expire Jan. 31. Eleven federal agencies, including the Department of Defense and National Science Foundation, participate in the SBIR, STTR and related programs, providing millions of dollars in grants each year to small businesses with awards reaching upwards of \$750,000 to individual businesses meeting specific criteria.

## BUDGET & ACQUISITION

### **U.S. Air Force To Adopt Block Buys of Satellites**

*Space News*

The U.S. Air Force plans to implement a new acquisition strategy that relies more on multisatellite purchases with the intent of eliminating the funding fits and starts that have plagued space programs in recent years, Air Force Secretary Michael Donley said Jan. 12. More stable research and development funding for space programs and increased use of fixed-price contracts will also be elements of the new Evolutionary Acquisition for Space Efficiency effort that begins with the 2012 budget request, Donley said at an Air Force Association media briefing.

### **Air Force to Cut IT Costs by 25 Percent**

*Federal News Radio*

Consolidation of hardware and software systems will reduce the Air Force's IT costs by 25 percent, the service's head said Wednesday. Air Force Secretary Mike Donley told a breakfast meeting sponsored by the Air Force Association in Arlington, Va., that he intends to shrink five-year IT costs by \$1.2 billion. "There are significant initiatives underway within the department to consolidate data centers and do our computer networking and cyber work more efficiently," Donley said.



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## INDUSTRY

### New Federal Database is One Contractors Will Want to Avoid

*Washington Technology*

On the heels of an interim rule to withhold award fees for putting a government employee's health or safety in danger, a new law will put that information in a database of contractor work history. In November, the Defense Department amended its own acquisition regulations to require contracting officers to consider reducing or even denying a company's award fee if it jeopardizes a federal employee. A company also possibly can lose award money for a subcontractor's negligent behavior. The interim rule was required by the fiscal 2010 National Defense Authorization Act, which became law Oct. 28, 2009.

### Defense Contractors Object to Revised Rule on Withholding Payments

*Federal Times*

The Pentagon is encountering continued resistance to its proposal to withhold a portion of payments to any contractor that uses flawed accounting and pricing systems. The Defense Department argues the proposal is needed since flawed vendor business systems could inflate what vendors charge the department for goods and services. The Pentagon proposed the new rule after the independent, bipartisan Commission on Wartime Contracting said in a 2009 report that auditors have been unable to verify billions of dollars worth of vendor-claimed costs charged to the Defense Department in connection with the military and reconstruction operations in Iraq and Afghanistan.

## LEGISLATION

### House Armed Services Chairman Restructures Committee

*Government Executive*

In a move Republicans hope will pave the way for more efficient and effective oversight of the Pentagon and the military services, House Armed Services Committee Chairman Buck McKeon, R-Calif., on Monday announced changes to the jurisdictions of many of its seven subcommittees. Realigning the Armed Services subcommittees has become tradition for the panel each time the chairman's gavel switches hands. When Democrats took control of the House in 2007, then-chairman Ike Skelton, D-Mo., created a seventh subcommittee for oversight and investigations and tweaked the other subcommittees' responsibilities. At the time, Skelton, who lost reelection in November, wanted to align each subcommittee's jurisdiction closer to the individual military services' budgets and programs. Skelton's efforts undid many of the changes imposed by his Republican predecessor, former Rep. Duncan Hunter, R-Calif., who organized the subcommittees to focus on different military missions.



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## JOINT STRIKE FIGHTER

### Senator: Pentagon will Fund F-35 Fighter Engine

*Bloomberg Businessweek*

U.S. Sen. Sherrod Brown of Ohio says Defense Secretary Robert Gates has assured him that funding will continue for an alternate engine for the Pentagon's next-generation F-35 Joint Strike Fighter jet. Brown and fellow Democratic Sens. John Kerry of Massachusetts and Patrick Leahy of Vermont had sent a letter to Gates last week stating that Congress intended to fund the engine program through March 4, despite the Pentagon's opposition to it.

## OP-ED

### It's Time for Small Business Owners to Walk the Halls of Congress

*The Hill*

When an entrepreneur or a small business owner has a problem, what does he or she do? The answer is simple; they usually roll up their sleeves and handle the problem themselves. With that approach, America's small business owners and entrepreneurs are now rolling up their sleeves and solving America's problems in Congress. Small business owners are moving to our nation's capital to make a difference. In the 2010 elections, 33 small business owners were elected to Congress from both major parties.



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## Small Business

### **Presidential Memoranda - Regulatory Flexibility, Small Business, and Job Creation**

*The White House Office of the Press Secretary, January 18, 2011*

Small businesses play an essential role in the American economy; they help to fuel productivity, economic growth, and job creation. More than half of all Americans working in the private sector either are employed by a small business or own one. During a recent 15-year period, small businesses created more than 60 percent of all new jobs in the Nation.

Although small businesses and new companies provide the foundations for economic growth and job creation, they have faced severe challenges as a result of the recession. One consequence has been the loss of significant numbers of jobs.

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601-612, establishes a deep national commitment to achieving statutory goals without imposing unnecessary burdens on the public. The RFA emphasizes the importance of recognizing "differences in the scale and resources of regulated entities" and of considering "alternative regulatory approaches . . . which minimize the significant economic impact of rules on small businesses, small organizations, and small governmental jurisdictions." 5 U.S.C. 601 note.

To promote its central goals, the RFA imposes a series of requirements designed to ensure that agencies produce regulatory flexibility analyses that give careful consideration to the effects of their regulations on small businesses and explore significant alternatives in order to minimize any significant economic impact on small businesses. Among other things, the RFA requires that when an agency proposing a rule with such impact is required to provide notice of the proposed rule, it must also produce an initial regulatory flexibility analysis that includes discussion of significant alternatives. Significant alternatives include the use of performance rather than design standards; simplification of compliance and reporting requirements for small businesses; establishment of different timetables that take into account the resources of small businesses; and exemption from coverage for small businesses.

Consistent with the goal of open government, the RFA also encourages public participation in and transparency about the rulemaking process. Among other things, the statute requires

agencies proposing rules with a significant economic impact on small businesses to provide an opportunity for public comment on any required initial regulatory flexibility analysis, and generally requires agencies



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promulgating final rules with such significant economic impact to respond, in a final regulatory flexibility analysis, to comments filed by the Chief Counsel for Advocacy of the Small Business Administration.

My Administration is firmly committed to eliminating excessive and unjustified burdens on small businesses, and to ensuring that regulations are designed with careful consideration of their effects, including their cumulative effects, on small businesses. Executive Order 12866 of September 30, 1993, as amended, states, "Each agency shall tailor its regulations to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities), consistent with obtaining the regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulations."

In the current economic environment, it is especially important for agencies to design regulations in a cost-effective manner consistent with the goals of promoting economic growth, innovation, competitiveness, and job creation.

Accordingly, I hereby direct executive departments and agencies and request independent agencies, when initiating rulemaking that will have a significant economic impact on a substantial number of small entities, to give serious consideration to whether and how it is appropriate, consistent with law and regulatory objectives, to reduce regulatory burdens on small businesses, through increased flexibility. As the RFA recognizes, such flexibility may take many forms, including:

- extended compliance dates that take into account the resources available to small entities;
- performance standards rather than design standards;
- simplification of reporting and compliance requirements (as, for example, through streamlined forms and electronic filing options);
- different requirements for large and small firms; and
- partial or total exemptions.

I further direct that whenever an executive agency chooses, for reasons other than legal limitations, not to provide such flexibility in a proposed or final rule that is likely to have a significant economic impact on a substantial number of small entities, it should explicitly justify its decision not to do so in the explanation that accompanies that proposed or final rule.

Adherence to these requirements is designed to ensure that regulatory actions do not place unjustified economic burdens on small business owners and other small entities. If regulations are preceded by careful analysis, and subjected to public

comment, they are less likely to be based on intuition and guesswork and more likely to be justified in light of a clear understanding of the likely consequences of alternative courses of action. With that understanding, agencies will be in a better position to protect the public while avoiding excessive costs and paperwork.



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This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person. Nothing in this memorandum shall be construed to impair or otherwise affect the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

<http://www.whitehouse.gov/the-press-office/2011/01/18/regulatory-flexibility-small-business-and-job-creation-presidential-memo>

## Oklahoma City Company to Train Air Force on KC-135

*By Susan Simpson, The Oklahoman, January 19, 2011*

Delaware Resource Group was named a small business contractor to CAE USA, which recently won a nine-month contract and nine one-year options to provide comprehensive KC-135 aircrew training services to the U.S. Air Force.

“This is a major USAF training contract, one of their largest,” said Philip Busey Jr., senior vice president of public relations for Delaware Resource Group. “It certainly solidifies our reputation in the marketplace as an industry leader.”

He said the subcontract is worth more than \$30 million over the 10-year period.

Delaware is part of the Oklahoma City-based Busey Group of Companies. CAE USA is based in Tampa, Fla., and is the prime contractor for the KC-135 Aircrew Training System program.

Delaware will provide site management, contractor logistics support and academic and simulator instruction at some of the KC-135 training locations. Delaware will open new offices in Portsmouth, N.H.; Spokane, Wash., Anaheim, Calif.; and Milwaukee.

The company has added about 100 new employees in the past year, including four more corporate managers.

<http://newsok.com/city-company-expands-with-subcontract/article/3533467>



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## VA to Start Verifying Veteran-Owned Businesses

*Watertown Daily Times, January 17, 2011*

The Department of Veterans Affairs will now verify that purportedly veteran-owned businesses it works with are indeed owned by veterans.

"VA is committed to doing business with as well as supporting and protecting veteran-owned small businesses," Secretary of Veterans Affairs Eric K. Shinseki said, in a release. "Although the verification process may initially be a challenge to some small business owners and to VA, it's a necessary step to eliminate misrepresentation by firms trying to receive contracts that should go to service-disabled and other veteran-owned vendors."

The application process was part of the Veterans Benefits Act of 2010, which President Barack Obama signed in October. Verified business will be listed on the "Vendor Information Pages" on [www.vetbiz.com](http://www.vetbiz.com).

For more information, visit [www.va.gov/osdbu](http://www.va.gov/osdbu).

<http://www.watertowndailytimes.com/article/20110117/NEWS03/301179976>

## CUs Help Turn GIs Into Entrepreneurs

*By Michelle Samaad, Credit Union Times, January 12, 2011*

Turning to their local credit unions, military personnel are transitioning back into civilian life by starting up businesses such as chiropractic firms, franchise restaurants and even shoe stores.

Some are also taking skills they've learned to become entrepreneurs and in the process are also helping to boost the popularity of a government program that provides special loans to help them start and expand their businesses.

Launched in June 2007, the SBA's Patriot Express program provides loans up to \$500,000 with an interest rate generally from 2.25 to 4.75 points over prime depending upon the size and maturity of the loan. Those eligible for the loans include veterans, their spouses and persons in active duty who qualify for the military's transition assistance program.



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The SBA said Patriot Express loans are in such demand that the initiative was recently renewed for three more years. More than \$560 million in loans have been approved to nearly 7,000 veterans, reservists and their spouses.

"The impact of this program over the last three-and-a-half years has meant thousands of veterans and their families have had the resources to pursue their dreams as entrepreneurs, and at the same time create jobs and drive economic growth at a critical time for our country," said SBA Administrator Karen Mills.

Credit unions have aided in that growth through their participation in the Patriot Express program. Fifty-five of them have approved roughly \$38 million in loans as of Sept. 30, according to SBA data.

Leading the way is the \$4 billion Randolph-Brooks Federal Credit Union in Live Oak, Texas, with more than \$9 million in loans approved. Founded in 1952 to serve Randolph Air Force Base and shortly after, Brooks Air Force Base, the cooperative still has strong ties to the military community even though it has since expanded to serve more than 1,900 select groups and eight underserved communities in the San Antonio and Austin areas.

"It's a good program. It benefits those who have served our country and there's also benefit to lenders through the higher guarantees. So, it's a win, win," said Kenan Pankau, SBA program manager at Randolph-Brooks.

Named the top credit union 7(a) program lender in 2009, Randolph-Brooks has more than \$20 million in SBA loans. Pankau said as soon as the agency rolled out Patriot Express in 2007, the credit union immediately signed on. Since then, some of the loans have helped fund franchise businesses while others have expanded mature companies started with skills learned in military careers. Pankau said it might be hard to pinpoint the average loan size but the working capital lines of credit offered tend to fall in the \$35,000 to \$50,000 range.

"We're seeing a nice mix. Many of them are transitioning out of the military. Even in the San Antonio area, we serve a lot of retirees and there are other businesses located here that serve the military," Pankau said.

The Patriot Express loans can be used for most business purposes, including startup, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases, according to the SBA, with most applications approved within 24 hours. The loans can also be used to recover from declared disasters, to sell goods and services to the government and to prepare a business in the case the owner is deployed.

For the \$43 billion Navy Federal Credit Union, 80% of the loans are being used to launch brand new businesses, said Rick Cole, credit underwriter at the Vienna, Va.-based cooperative. With nearly \$2.5 million in Patriot Express loans approved, it is the second largest credit union lender in the program. There's another \$1 million in the pipeline, according to Cole.



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"I think the primary motivation and the reason why the program has been so successful is because it fits perfectly with our membership," Cole said. "It's designed to help military members transition into private life."

Most of Navy Federal's loans range between \$100,000 and \$300,000, Cole said. Given the credit union's expansive reach nationwide, some of the funds have been used to start businesses in states such as Connecticut, California, Texas and the Atlanta metropolitan area. They run the gamut from technology firms to chiropractic offices, shoes stores and franchise restaurants.

Cole acknowledged that most applicants don't come in looking for the Patriot Express loans. If they don't qualify under normal loan criteria, the SBA gives added security to those who would not otherwise be eligible, he said.

Several other credit unions have been just as active with loan approvals, including the \$2.8 billion Redstone Federal Credit Union with \$1.85 million approved and the \$215 million Self-Help Credit Union at \$1.28 million loans approved. Vantage West Credit Union and Centris Federal Credit Union have approved \$1.28 million and \$1.19 million in Patriot Express loans, respectively.

<http://www.cutimes.com/Issues/2011/January-12-2011/Pages/CUs-Help-Turn-GIs-Into-Entrepreneurs.aspx#>

## SBA To Offer Grants And Contracting Jobs To Help Small Businesses

*By Blake Hartman, Star Global Tribune, January 14, 2011*

The U.S. Small Business Administration is taking proposals that will fund grants to qualified nationwide organizations so they can offer such items as training, guidance, mentoring, and even procurement assistance to small business. These new initiatives would take the form of a team arrangement whereby the small business would either joint venture or sub-contract from the certified SBA assistance provider.

The Small Business Teaming Pilot program was created by Congress under the auspices of the Jobs Act of 2010. The SBA expects to provide a total of \$5 million awards for 2011. This would be divided among 10 to 20 separate grants valued at \$250,000 to \$500,000 each.

"The Small Business Jobs Act provides critical resources to help small businesses continue to drive economic recovery and create jobs," said SBA Administrator Karen Mills. "The teaming pilot program will help put contract dollars into the hands of small businesses, create job opportunities through the teaming arrangements, help drive innovation and promote economic growth for our nation's economy."



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Eligibility requirements are that the business entity applying must be a private non-profit or a for-profit institution, have been operating continuous the last three fiscal years, be experienced with small business issues nationally, and explicitly demonstrate its ability to be of value to small business operations across the country.

More information is available by visiting either [www.grants.gov](http://www.grants.gov) or [www.sba.gov/teaming](http://www.sba.gov/teaming)

<http://starglobaltribune.com/2011/sba-to-offer-grants-and-contracting-jobs-to-help-small-businesses-4233>

## WPAFB Engineer Evaluated Brother's Contracting Firm

*By John Nolan, Springfield News-Sun, January 15, 2011*

The Air Force allowed an engineering official to evaluate the performance of a construction contractor at Wright-Patterson Air Force Base even though the official's brother was part owner of a company that worked directly for the contractor.

Base officials said David N. Price's favorable assessments of the performance of Arctic Pipe & Materials (APM) LLC, which began in 2007 and continued until Price's retirement in 2009, were reviewed and approved by other base officials as part of a group review process.

And they said Air Force lawyers concluded there was no violation of ethics laws because the government did not choose APM's subcontractors. Price's involvement also did not benefit himself, a spouse or a child.

But two specialists in business ethics said the evaluation process created the appearance of a conflict.

"Any relative would present a problem," said Jeffrey Seglin, an associate professor at Emerson College in Boston. "You should never be in a position of doing that kind of review."

Price declined to comment.

Price's reviews of APM, which had a five-year construction contract with a spending limit of \$60 million, sometimes included "outstanding" ratings. APM was one of 20 companies the Air Force suspended in 2009 as part of a fraud probe into improper participation in a set-aside program for minority-owned companies. Last year the Air Force banned APM for three years from pursuing new federal contracts, although the company was allowed to complete an existing building demolition project.

Price formed company before retirement



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While still a civil engineering employee at Wright-Patterson Air Force Base, Price formed his own outside company to pursue contract work for the federal government.

He apparently didn't tell his supervisors. Base civil engineering officials told the Dayton Daily News that Price never informed them that he had formed the company.

But even though Price formed that company months before leaving government service, he doesn't appear to have violated U.S. Department of Defense ethics rules. Those rules require employees such as Price, who file financial disclosure reports, to obtain a supervisor's written approval before engaging in "business activity or employment" with "any organization doing or seeking to do business" with the Department of Defense. However, there is no evidence Price did any government work for the company before his November 2009 retirement.

Contracts at Wright-Patterson represent a major prize for the region's companies as a source of steady and well-funded work, and Price started competing for federal contracts soon after retiring from his civilian job at the base. His company, PDW Inc. (Patriots Doing Work), won two small projects in 2010 at Wright-Patterson renovating a water-damaged band building and doing electrical work in a commissary. The company also was awarded work with the U.S. Department of Veterans Affairs.

Plenty of people have used knowledge they gained during government service for careers afterward, but forming an outside company while still with the government and not informing supervisors raises ethical concerns, said Rushworth M. Kidder, president and founder of the Institute for Global Ethics.

"The concern certainly is the perception," Kidder said Friday. "The reason this matters is because we want people in government who are ethical, not merely compliant."

Price registered PDW Inc. with the Ohio secretary of state's office in April 2009 and with a federal contracting business registry in June 2009. He ended his 26-year Air Force career in November 2009.

Had Price sought government work through his outside company while still working for the Air Force, that would have raised serious ethics issues, said Jeffrey Seglin, an Emerson College associate professor in Boston who teaches and writes about business ethics.

According to government records of PDW's registrations, Price founded the company with Scott Day, an executive of Daytep Construction Co., a major subcontractor of Arctic Pipe & Materials (APM) LLC, a former Wright-Patterson base infrastructure contractor that heavily used Daytep as a base construction subcontractor.

Price wrote evaluations of APM's project performance for the base's civil engineering office.



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In 2009, the Air Force suspended California-based APM and 19 other companies from any new federal contracting, as part of a fraud investigation into whether the companies misrepresented themselves and improperly participated in a program that sets aside government contracts for economically disadvantaged, minority-owned companies. Last year, the Air Force stiffened that punishment by adding a three-year contracting ban for APM and more than a dozen other companies and individuals that held contracts at Wright-Patterson or other military bases.

The Defense Criminal Investigative Service and its counterpart investigative units at the Air Force, Army, Navy and Small Business Administration are still investigating, along with Justice Department prosecutors. No charges have been filed as a result of the nearly two-year probe.

PDW's structure reflects the close relationships of some current and former employees of companies that do millions of dollars in construction and renovation work for Wright-Patterson.

Scott Day is an executive of both PDW and Daytep. Price rents PDW's office space within the offices of Daytep at 1715 Springfield St., Riverside. Price's late brother formerly was an owner of Daytep.

Base records show that personnel from APM's predecessor, All Cities Enterprises, worked for All Cities and then APM. Among those employees is Donald Fosnight, a former project manager for APM at Wright-Patterson.

Fosnight now works for Daytep, which formed a joint venture with Custom Mechanical Systems Corp. of Bargersville, Ind., a minority-owned small business. In July 2010, Fosnight's new firm was awarded a one-year, \$10 million construction contract to succeed APM. Fosnight told the Daily News he wouldn't discuss APM, now that he works for Daytep.

Before Price's retirement, Wright-Patterson officials allowed him to evaluate APM's performance on high-visibility projects while APM employed as a primary subcontractor Daytep, then co-owned by Price's brother, the late Terry E. Price, 56. Terry Price, of Arcanum, died in an August 2009 midair collision of light aircraft.

Base officials said a review by Air Force lawyers concluded there was no ethical obstacle to David Price's participation in evaluating APM because the government didn't choose APM's subcontractors, and because conflict-of-interest concerns would apply directly only to the spouse or children of a Defense Department employee.

Seglin, the ethics expert, said he still questioned why the Air Force allowed David Price's participation in evaluating APM, given that it employed his brother's company.

"They made an ethical choice," Seglin said. "It's a curious one, but they made it."



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Although APM is barred from new federal contracts, the Air Force is allowing it to finish projects it had been awarded under the old contract. U.S. Sen. Tom Coburn, R-Okla., has questioned that arrangement, arguing that contractors barred for misconduct shouldn't be allowed to continue receiving taxpayers' dollars.

APM recently completed a \$455,300 demolition of an old, vacant building at Wright-Patterson. The government authorized an \$81,000 payment for that work in December 2010.

<http://www.springfieldnewssun.com/news/springfield-news/wpafb-engineer-evaluated-brothers-contracting-firm-1055708.html>

## **Axion International Awarded \$100,000 Railroad Tie Sub-Contract in Support of Requirements Issued by Beale Air Force Base in Northern California**

*BusinessWire, January 19, 2011*

Axion International (OTCBB: AXIH), producer of the world's strongest recycled composite plastic industrial building products and railroad ties, announced it has been awarded a \$100,000 railroad tie sub-contract in support of 3D Global Solutions winning proposal with Beale Air Force Base in Northern California. 3D Global Solutions, Inc. assisted Axion in helping secure the sub-contract to provide its structural composite railroad ties, designed from 100% recycled plastic.

"This contract represents a milestone for Axion as we begin to sell our innovative recycled plastic railroad ties in larger bulk orders for US Military applications," said Steve Silverman, Axion's President and Chief Operating Officer. "We have sold material for highly engineered bridges involving extensive testing and lead-time from design to completion. Now that this recycled structural composite technology has been studied by various military organizations, including the Army Corp of Engineers, we have an opportunity to expand our reach more rapidly and begin selling our product in pre-set industry standards as we look to expand our ongoing growth initiatives." The contract calls for the ties to be delivered by March 1, 2011 to Beale Air Force Base in Marysville, CA. The ties are to be used as a replacement for existing lines on the base that have been in place for some time.

In winning this contract, 3D Global Solutions navigated the necessary government channels to get Axion's products in front of the contracting officer for possible use, and eventually resulted in an award. In its partnership with Axion, 3D Global Solutions' primary focus is on military sales and business development within the federal government. Axion strengthened its relationship with 3D Global Solutions in September 2010 with the appointment of 3D Global Solutions' CEO, Michael Dodd, to Axion's Board of Directors.

**SAF/SB internal document—not for public release.**



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“Axion has achieved a remarkable level of success within the Military and DoD to date,” stated Michael Dodd, CEO of 3D Global Solutions. “Due to their unique blend of recycled polymers they have an advantage in providing the government and its various contractors with a material that is not only good for the environment, but more cost effective on a long-term basis.”

Developed in conjunction with Rutgers University’s Materials Sciences and Engineering Department, Axion’s proprietary Recycled Structural Composite (RSC) material is inert and contains no toxic materials. It is impervious to insect infestation, will never leach toxic chemicals nor warp. Because it is lighter than traditional materials, transporting RSC is less expensive and reduces energy costs. In addition, Axion’s products are completely recyclable at the end of their functional life.

<http://www.businesswire.com/news/home/20110119005529/en/Axion-International-Awarded-100000-Railroad-Tie-Sub-Contract>

## SBIR/STTR

### **AVIRTEK, INC. Awarded \$750K Phase II STTR Grant From the United States Air Force**

*PR-USA.net, January 15, 2011*

AVIRTEK, INC., a leader in Autonomic Management Solutions, announced today that the United States Air Force (USAF), has awarded the company a \$750K Phase II Small Business Technology Transfer (STTR) grant. In a teaming arrangement with Raytheon and the University of Arizona, AVIRTEK will apply the grant to develop and prototype a Cyber Battle Management System (CBMS), which will be the foundation of the next generation of cyber behavior analysis units that can detect and protect against any anomalous and malicious activities against cyber space resources and services.

“In Phase I, we showed the feasibility of AVIRTEK’s autonomic computing technology to secure and protect cyber systems and their services. In Phase II, we intend to develop a Cyber Nervous System to protect computers, network, mobile devices and applications against known and unknown types of cyber attacks. The technology to be developed in Phase II will also be applied to protect commercial enterprise networks and computers.” – Dr. Salim Hariri, CEO and Chairman of AVIRTEK.

With the Phase II funding, “we will be developing a revolutionary technology, Autonomia, which can self-manage either any network or software resource to tolerate hardware and software failures, including cyber attacks, with minimal involvement of users and system administrators.” – José W. Gifford, Principal Software



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Engineer at AVIRTEK. In addition, “we will extend this capability to secure and protect all the layers based on a revolutionary anomaly behavior analysis technology with high detection rates and low false alarms.” – Dr. Youssif Al-Nashif, Research Scientist at AVIRTEK.

[http://pr-usa.net/index.php?option=com\\_content&task=view&id=589835&Itemid=33](http://pr-usa.net/index.php?option=com_content&task=view&id=589835&Itemid=33)

## Shaheen Committed to Saving Small Business Research Program

*By Cindy Kibbe, Fosters Daily Democrat, January 19, 2011*

The federal Small Business Innovation Research program is once again facing possible extinction — a fate New Hampshire U.S. Sen. Jeanne Shaheen has been working hard to prevent.

A stopgap measure last year temporarily saved SBIR, along with the Small Business Technology Transfer program, or STTR — both of which are overseen by the U.S. Small Business Administration, but that short-term reauthorization is due to expire Jan. 31.

Shaheen has made several supportive statements during recent tours of companies around New Hampshire, including Airex Corp., a manufacturing and engineering firm in Somersworth, and Spire Semiconductor in Hudson.

Both firms have received SBIR grants, which have helped each company to expand and add employees.

"Spire Semiconductor is a great New Hampshire success story and a direct beneficiary of the Small Business Innovation Research program," Shaheen said. "But despite bipartisan support for this program, Congress has failed to ensure it has the stability and support it needs to be effective. As a member of the Senate Small Business Committee, I will work with my colleagues to get the long-term reauthorization of Small Business Innovation Research Program passed in this Congress."

The key sticking point between the Senate and House versions of the SBIR reauthorization bill has been the percentage of venture ownership allowed for firms seeking grants, said Shaheen spokesman Jonathan Lipman.

"Each had different versions" and could not come to an agreement, he said.

The change in control of the House from Democratic to Republican probably won't do much to change the strategy to find a long-term funding solution, said Lipman.



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"The program has always had bipartisan support, so the changes will probably have little impact," he said. "We do, however, see a better chance this time because there is a better understanding of the program's importance." Lipman said it is more likely that another short-term reauthorization will pass again instead of a full bill.

It is unclear if even a stopgap authorization vote will come up before the Jan. 31 deadline, but such votes in the past have taken place a few days prior to the SBIR reauthorization expiration date.

According to the Shaheen's office, New Hampshire firms received 80 total awards totaling \$26 million in grants through SBIR in the last two years.

Eleven federal agencies, including the Department of Defense and National Science Foundation, participate in the SBIR, STTR and related programs, providing millions of dollars in grants each year to small businesses with awards reaching upwards of \$750,000 to individual businesses meeting specific criteria.

[http://www.fosters.com/apps/pbcs.dll/article?AID=/20110119/GJBUSINESS\\_01/701199991/-1/FOSNEWS](http://www.fosters.com/apps/pbcs.dll/article?AID=/20110119/GJBUSINESS_01/701199991/-1/FOSNEWS)

## Budget & Acquisition

### **U.S. Air Force To Adopt Block Buys of Satellites**

*Space News, January 14, 2011*

The U.S. Air Force plans to implement a new acquisition strategy that relies more on multisatellite purchases with the intent of eliminating the funding fits and starts that have plagued space programs in recent years, Air Force Secretary Michael Donley said Jan. 12.

More stable research and development funding for space programs and increased use of fixed-price contracts will also be elements of the new Evolutionary Acquisition for Space Efficiency effort that begins with the 2012 budget request, Donley said at an Air Force Association media briefing.

The first space system to receive this treatment will be the Advanced Extremely High Frequency (AEHF) secure communications fleet, Donley said. AEHF prime contractor Lockheed Martin Space Systems of Sunnyvale, Calif., is currently under contract to deliver four spacecraft. The Air Force is also likely to use a block buy approach for the fourth and fifth Space Based Infrared System spacecraft, a government source said.

The AEHF system is a prime example of how production breaks in spacecraft programs result in soaring costs. The Air Force originally planned to buy three AEHF spacecraft before moving on to the next-generation



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Transformational Satellite (T-Sat) system. Congress in 2007 ordered the purchase of the fourth AEHF satellite, and the following year the Pentagon canceled the T-Sat program. The four-year break in AEHF production caused an increase in price from \$939 million for the third satellite to more than \$2 billion for the fourth satellite.

<http://www.spacenews.com/military/110114-af-block-buys-satellites.html>

## Air Force to Cut IT Costs by 25 Percent

*By Jared Serbu, Federal News Radio, January 12, 2011*

Consolidation of hardware and software systems will reduce the Air Force's IT costs by 25 percent, the service's head said Wednesday.

Air Force Secretary Mike Donley told a breakfast meeting sponsored by the Air Force Association in Arlington, Va., that he intends to shrink five-year IT costs by \$1.2 billion.

"There are significant initiatives underway within the department to consolidate data centers and do our computer networking and cyber work more efficiently," Donley said. "The Air Force embarked on this a couple of years ago. We recognized the need to get a more centralized approach underway on IT. This was a theme as we were putting together the 24th Air Force. It is now a theme across the department, so we think there are some opportunities for some significant savings."

The 24th Air Force serves as the service's cyber command.

The IT savings are part of a \$34 billion dollar package of efficiencies that the Air Force identified in response to Defense Secretary Robert Gates' directive to the military branches to come up with a collective \$100 billion in savings. The savings will largely be reinvested into the individual services, Gates said when he announced an overview of the budget reprioritizations last week.

Among some of the other specifics Donley revealed Wednesday:

- The Air Force will consolidate the Air Operations Centers at Davis-Monthan Air Force Base in Arizona and Tindal Air Force Base in Florida into one. The centers for European Command and Africa Command will also be combined. Donley said the Air Force would use its existing strategic basing process to decide which centers would be absorbed into which.



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- Three numbered Air Forces will be inactivated, with some of their functions combined with other commands: The 19th at Ramstein Air Base in Germany; the 13th Pearl Harbor, Hawaii; 17th at Randolph Air Force Base in Texas.
- The Air Force will save money by starting a more cost efficient buying program for satellites - some of the biggest acquisitions for the service. It will involve procuring new satellites in blocks, even when a block is made up of only two satellites.

<http://www.federalnewsradio.com/index.php?nid=35&sid=2232303>

## Industry

### **New Federal Database is One Contractors Will Want to Avoid**

*By Matthew Weigelt, Washington Technology, January 14, 2011*

On the heels of an interim rule to withhold award fees for putting a government employee's health or safety in danger, a new law will put that information in a database of contractor work history.

In November, the Defense Department amended its own acquisition regulations to require contracting officers to consider reducing or even denying a company's award fee if it jeopardizes a federal employee. A company also possibly can lose award money for a subcontractor's negligent behavior.

The interim rule was required by the fiscal 2010 National Defense Authorization Act, which became law Oct. 28, 2009.

Now though, the fiscal 2011 defense authorization act, which became law Jan. 7, takes the reckless behavior to the Web.

If DOD officials conclude a contractor put a federal worker's life in harm's way, the information can be added to the Federal Awardee Performance and Integrity Information System, or FAPIIS.

It's a database of specific information about a contractors' past work with the government. Contracting officers are required to look at the work history in FAPIIS and to factor it into an award decision. The new law calls for officials to add a final determination of contractor fault to the database.



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Meanwhile, as more information detailing companies' past performances is added to the database, FAPIIS may be the frontier of new bid protests, one procurement lawyer said.

Companies might object to an agency's inappropriate consideration of a past performance when selecting an awardee, Puja Satiani, an associate at Crowell and Moring law firm, said this week in a webinar on contracting trends in 2011.

Companies might also say there was no meaningful consideration or disclosure of a company's past performance history before a contract was awarded.

Other government contracting attorneys say 2011 is going to be a tough year for contractors as oversight gets tougher.

"There will be no rest of the weary," said Dan Forman, a partner at the law firm.

<http://washingtontechnology.com/articles/2011/01/14/award-fee-harms-way-fapiis-past-performance.aspx>

## Defense Contractors Object to Revised Rule on Withholding Payments

*By Sean Reilly, Federal Times, January 17, 2011*

The Pentagon is encountering continued resistance to its proposal to withhold a portion of payments to any contractor that uses flawed accounting and pricing systems.

The Defense Department argues the proposal is needed since flawed vendor business systems could inflate what vendors charge the department for goods and services.

The Pentagon proposed the new rule after the independent, bipartisan Commission on Wartime Contracting said in a 2009 report that auditors have been unable to verify billions of dollars worth of vendor-claimed costs charged to the Defense Department in connection with the military and reconstruction operations in Iraq and Afghanistan.

In a proposed rule published January 2010, the Defense Department had wanted to withhold 10 percent of contract payments if certain vendor business systems were found to be deficient. That proposal hit stiff opposition from industry groups. Under a revised version of that rule, published last month in the Federal Register, the department reduced the proposed withhold amount to 5 percent and capped it at 2 percent for small businesses. If a deficiency is considered high risk, a maximum of 20 percent could be withheld, down



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from 100 percent in the original proposal. Withholding payments would be a way of mitigating the government's risks, not penalizing contractors, according to the department.

Despite the concessions, industry groups again are criticizing the proposal in public comments. The public comment period for the revised proposed rule ended Jan. 10.

"DoD offers no new justification for withholding contract payments," David Churchill, a government contracts attorney at Jenner & Block, wrote this month in a comment posted on regulations.gov. "Thus, industries' criticism of the initial rule's intended purpose applies equally to the revised rule." A primary shortcoming, Churchill added, is the potential to cause "significant cash flow shortfalls" that could cripple a contractor.

The Council of Defense and Space Industry Associations, a coalition of a half-dozen groups that includes the U.S. Chamber of Commerce and the Professional Services Council, said that although the revised proposal is an improvement over its predecessor, significant concerns remain. Among them: the amount of money withheld from a vendor could be considerable, even if known flaws in that vendor's business system result in no or minimal additional cost to the Defense Department. As a result, the amount withheld could be "grossly disproportionate" to the impact of system flaws, the coalition said.

How quickly the Pentagon will move forward is unclear; a spokeswoman said last month that the department is looking for more input and would decide how to proceed after that point.

<http://www.federaltimes.com/article/20110117/DEPARTMENTS01/101170302/1009/ACQUISITION>

## Legislation

### **House Armed Services Chairman Restructures Committee**

*By Megan Scully, Government Executive, January 18, 2011*

In a move Republicans hope will pave the way for more efficient and effective oversight of the Pentagon and the military services, House Armed Services Committee Chairman Buck McKeon, R-Calif., on Monday announced changes to the jurisdictions of many of its seven subcommittees.

Realigning the Armed Services subcommittees has become tradition for the panel each time the chairman's gavel switches hands. When Democrats took control of the House in 2007, then-chairman Ike Skelton, D-Mo., created a seventh subcommittee for oversight and investigations and tweaked the other subcommittees' responsibilities.



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At the time, Skelton, who lost reelection in November, wanted to align each subcommittee's jurisdiction closer to the individual military services' budgets and programs. Skelton's efforts undid many of the changes imposed by his Republican predecessor, former Rep. Duncan Hunter, R-Calif., who organized the subcommittees to focus on different military missions.

The changes made by McKeon appear to be a return to Hunter's mission-based subcommittee organizations.

The biggest changes appear to be within the Air and Land Forces Subcommittee and the Seapower and Expeditionary Forces Subcommittee, which have been renamed Tactical Air and Land Forces and Seapower and Projection Forces to reflect their new responsibilities.

The Tactical Air and Land Forces Subcommittee will continue to oversee most Army and Air Force acquisition programs and now will also assume oversight of all Marine Corps programs. Notable exceptions, however, are the Marine Corps' amphibious assault vehicle programs, as well as strategic missiles, space, lift programs, special operations, science and technology programs, and information technology accounts, which will fall under the other subcommittee's jurisdictions.

The panel will also be responsible for Navy and Marine Corps aviation programs, which had fallen under the purview of the Seapower and Expeditionary Forces Subcommittee during the last two congresses.

The renamed Seapower and Projection Forces Subcommittee will continue to be responsible for other Navy acquisition programs and the Marines' amphibious assault vehicle programs. Defense Secretary Robert Gates earlier this month canceled the Marine Corps' projected \$15 billion Expeditionary Fighting Vehicle program, but the service intends to move forward on a replacement ship-to-shore vehicle "as soon as possible," Commandant Gen. James Amos said last week.

While it lost many Marine Corps programs and naval aviation efforts, the Seapower panel has picked up oversight of several high-profile programs that had once been under the jurisdiction of the Air and Land Forces Subcommittee. These include deep-strike bombers, a major program that the Air Force is still defining, as well as airlift programs and the Air Force tanker program.

The Air Force expects to award a much anticipated contract for the tanker program, which is estimated at around \$40 billion, in the next several weeks to either Boeing Co. or EADS North America, making the Seapower panel a major player in one of the military's largest and most contentious programs.

[http://www.govexec.com/story\\_page.cfm?articleid=46892&oref=todaysnews](http://www.govexec.com/story_page.cfm?articleid=46892&oref=todaysnews)



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## Joint Strike Fighter

### **Senator: Pentagon will Fund F-35 Fighter Engine**

*Bloomberg Businessweek, January 13, 2011*

U.S. Sen. Sherrod Brown of Ohio says Defense Secretary Robert Gates has assured him that funding will continue for an alternate engine for the Pentagon's next-generation F-35 Joint Strike Fighter jet.

Brown and fellow Democratic Sens. John Kerry of Massachusetts and Patrick Leahy of Vermont had sent a letter to Gates last week stating that Congress intended to fund the engine program through March 4, despite the Pentagon's opposition to it.

The engine is being developed by a General Electric Co. unit in Evendale outside Cincinnati. Fairfield, Conn.-based GE makes the engine with London-based Rolls-Royce.

The Obama administration has said spending on a second engine is unnecessary and impedes the progress of the Joint Strike Fighter program.

<http://www.businessweek.com/ap/financialnews/D9KNLMB80.htm>

## Op-Ed

### **It's Time for Small Business Owners to Walk the Halls of Congress**

*By Lani Hay, The Hill, January 18, 2011*

When an entrepreneur or a small business owner has a problem, what does he or she do? The answer is simple; they usually roll up their sleeves and handle the problem themselves. With that approach, America's small business owners and entrepreneurs are now rolling up their sleeves and solving America's problems in Congress.

Small business owners are moving to our nation's capital to make a difference. In the 2010 elections, 33 small business owners were elected to Congress from both major parties. In the 2008 elections, 24 incoming members of Congress had some small business experience according to the Small Business Advocate, a

**SAF/SB internal document—not for public release.**



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monthly newsletter published by the SBA's Office of Advocacy. With the current state of America's economy and the role small businesses play as the economic engine that runs our country, it is small businesses and entrepreneurs that tend to lead our nation out of recessions and perennially lead job creation and growth. According to SBA, small businesses employ over half of all private-sector employees. As more former small business owners and entrepreneurs walk the halls of Congress, their imperative to get things done will be felt, as will their commitment to making decisions that impact Main Street job creation.

Small business owners know how to meet a payroll, stick to a budget, and make difficult decisions, including cuts, when necessary. Small business owners are instantly accountable for decisions they make, and learn to make them carefully but well. Good decision-making keeps their doors open – flawed decisions can close them forever. Having more new members in Congress who have experience making difficult decisions, know how to create jobs, and have lived under these rigorous survival conditions will instill in Congress a refreshing drive for results.

As we begin the new year, these former entrepreneurs will also help Congress address issues facing small businesses in 2011. Small businesses need access to capital to allow their operations to grow. Lines of credit, loans and other debt financing need to reopen for small-business owners if we are to accelerate the slow growth of the economy. The fact is, "Main Street" is probably no longer an apt way to refer to the small business sector. A strong breed of new small businesses are vitally involved in innovation, defense programs, searches for the cure for cancer, development of new and efficient management initiatives, information technology development and other highly technical and specialized work. These rapidly growing small businesses compete toe-to-toe with their larger counterparts in an ever increasing race to replace old ways of doing things with new products, processes, and efficiencies.

Small business has led the country out of recessions in the past and is doing so again. Former small business owners as Congressional representatives will make important economic, job creation and public accountability decisions. They are the right people at the right time in Congress. Their impatience with rules and obstacles sacred to existing representatives will probably be a friction plate between them and their other colleagues. No doubt, however, they will quickly learn how to effectively get things done and their colleagues will hopefully learn result-oriented decision-making from them. The reality of their presence and their anticipated drive toward results makes this business owner happy to see that small businesses and the country will have some of these types of people walking the halls of Congress.

<http://thehill.com/blogs/congress-blog/economy-a-budget/138569-its-time-for-small-business-owners-to-walk-the-halls-of-congress>