



September 6, 2013

**Delivered via Email**

Mr. Timothy Dale, Fiscal Research Division  
Joint Legislative Commission on Governmental Operations  
300 N Salisbury St, 619 Legislative Office Bldg.  
Raleigh, NC 27603-5925

Re: Partnership for Defense Innovation, Annual Report Summary

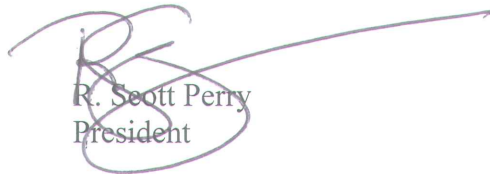
Dear Mr. Dale:

Attached please find the Partnership for Defense Innovation's program activities, objectives and accomplishments for the fiscal year ending June 30, 2013. Per the State Aid Reporting Requirements, Section 14.22 (a), this report is due September 1, 2013 via email to [reports@ncleg.net](mailto:reports@ncleg.net). As such, I am making PDI's submission packet via .pdf to that address. Should you require a hard copy of our submission, please let me know. This report was also submitted to Gov Ops via email to [NCGAGovOps@ncleg.net](mailto:NCGAGovOps@ncleg.net).

Please note, as of the date of this submission, PDI's audited financial statements have not been issued. Upon receipt of our financial report, we will supplement the attached with cover correspondence noting the same.

Should you have any questions or concerns as to PDI's Annual Report Summary, please do not hesitate to contact me at (910) 307-3000 or [scott.perry@ncpdi.org](mailto:scott.perry@ncpdi.org). In the alternative, you are welcome to contact PDI's Director of Finance, Vicki Acri, at (910) 307-3016 or [vicki.acri@ncpdi.org](mailto:vicki.acri@ncpdi.org).

Very Truly Yours,



R. Scott Perry  
President

Attachment

# **The Partnership for Defense Innovation**

## **Annual Report**

<b>Citation of Law or Resolution:</b>	S.L. 2011-145
<b>Section Number:</b>	Section 14.10
<b>Due Date:</b>	September 1, 2013
<b>Submission Date:</b>	September 6, 2013

### **Receiving Entities:**

The Joint Legislative Commission on Governmental Operations  
The Fiscal Research Division

### **Submitting Entity:**

The Partnership for Defense Innovation (PDI)

**Annual Report Summary**  
**2012 – 2013 Program Activities, Objectives and Accomplishments for the**  
**Partnership for Defense Innovation (Defense & Security Technology Accelerator)**

**Overview:**

**Who We Are**

The Partnership for Defense Innovation (“PDI”), a 501(c)(3) organization established in 2006, Defense & Security Technology Accelerator (“DSTA”) program promotes and supports economic development, research and development of emerging technologies, and education and training programs with applications in defense and homeland security. PDI/DSTA is located in downtown Fayetteville, North Carolina, in a Historically Underutilized Business Zone (HUBZone), which provides the opportunity for 12 to 15 companies to receive business accommodations and support. In addition to the DSTA program, PDI operates its 10,000-square foot, accredited Research & Development Laboratory (“R&D Lab”) that is the single anchor tenant of the All American Military Business Park.

**Our Mission**

The mission of PDI, as a public-private partnership, is to create jobs and generate revenue for the State of North Carolina using defense contracting as its catalyst. DSTA clients have the opportunity to collaborate with academia, business, industry and the military community to receive assistance with introductions to the Department of Defense (DoD) personnel, capability presentations, technology transfer, and rapid commercialization. We provide an accelerator facility that supports companies engaging in research and development of technologies and services associated with the military and homeland security, as well as encourage the rapid development of technology. We approach our mission by combining our unique model of rapid business acceleration with PDI’s R&D Lab and key partnerships that contribute to the expansion of the defense and security sector of North Carolina.

DSTA’s mission is to introduce and accelerate the delivery of cutting edge technology into the hands of the warfighter and ensure companies are prepared to conduct federal business, as well as accept federal awards and grants. DSTA provides both corporate and technical in-house support through an 86-Step Modular Process of coaching and mentorship during the early stages of business. We support entrepreneurs, innovators, and commercial entities by assisting in the research and development of their technologies, and turning them onto business opportunities and products that make an impact in the local and state economy. In addition, DSTA clients have the opportunity to collaborate with potential business, industry, and academia partners with which PDI maintains strategic relationships.

**Our Objectives**

As a business accelerator, our focus is on dual-use technology that supports military and commercial needs in the areas of defense, security, and intelligence. DSTA’s objective is to maintain a presence in North Carolina, and beyond, providing tailored coaching, mentorship, training, and education to small and emerging businesses to promote their rapid growth and success. We offer client companies an array of organizational, operational, and strategic

infrastructure support. Our DSTA program also provides its members technology development assistance, networking opportunities, market analysis, bidding support, and more. In particular, the 86-Step Modular Process fully encompasses the functional areas of operations, human resources, accounting, training, marketing, financial forecasting, and prepares clients to withstand the rigors of a Defense Contract Audit Agency (“DCAA”) audit. Further, DSTA aims to leverage regional strengths and build lasting connections between the Fort Bragg/Fayetteville, Cumberland County and Raleigh/Durham/Research Triangle Park area, and extending out to all the other centers of innovation throughout the State of North Carolina and beyond. DSTA brings together the military, entrepreneurs, universities, innovators, and technology companies to generate and share ideas, understand customer needs, and develop technology solutions. Ultimately, DSTA utilizes the expertise of various organizations and individuals, or subject matter experts, to accelerate the development of defense and technologically advanced businesses.

### **DSTA Features**

Our 15,000 square foot facility, encompassing a suite of resources, provides office space and infrastructure support at rates below market value. Resident clients have 24-hour access to the secured PDI facility, which provides turn-key, Class A, fully furnished offices with amenities that include: a lobby with a full-time receptionist; three conference rooms equipped with internet connectivity; full audio/visual capability; flat screen televisions; LCD projectors and motorized screens; a full kitchen; in-place white boards (in certain available offices); local and long distance telephone service; VOIP phone service; T1 internet access; monitored security; janitorial services; landscaping; parking; recycling program; water and coffee service; mailboxes; and postage service.

### **Conclusion**

Since its inception, the DSTA Program has become an epicenter for entrepreneurship and a leader in the development of cutting-edge defense technologies and services. DSTA provides value-added business assistance, access to a network of resources and professional expertise, as well as one-on-one coaching by on-site staff and volunteers to its members. The DSTA program connects entrepreneurs with innovations developed within North Carolina universities and companies, along with engineering talent and know-how. PDI’s DSTA program engages its members in activities that not only increase their visibility to the government, but define their company infrastructure.

#### **Key aspects of the DSTA program:**

- Public-Private Partnership Model;
- Statewide presence and benefit to North Carolina economy;
- Technology Impact – introductions to the defense and homeland security;
- Opportunity for collaboration with potential business, industry, and academia partners;
- Infrastructure Support – organizationally, operationally, and strategically;
- Coaching, Mentorship, Training and Education (86-Step Modular Process);
- Strategic Location and access to America’s Power Projection Platform – Fort Bragg (Home of USASOC, USASFC, JFKSWCS, and 82<sup>nd</sup> ABN Division);
- Market Access to Contract Decision Makers and Customers; and
- Quick Business Decision Cycle.

## **DSTA Performance Indicators:**

### **Overview**

Each year, North Carolina General Assembly (“NCGA”) funding to support PDI’s DSTA program operations has been decreased. However, PDI does not solely measure its effectiveness thru the level of funding it annually receives. PDI measures its program success by the return on investment it provides to the State of North Carolina, as well as the development and impact on the State and local economy. PDI has met all reporting/performance metrics required by the North Carolina Department of Commerce and is able to demonstrate that State funding granted to DSTA, via contracts, directly influences the economy thru jobs created, business success, and related revenue.

Currently, the number of clients, tenants and PDI staff based in Fayetteville is approximately 50. At a singular level, this equates to 50 individuals who are on a payroll with related taxes directly benefiting the State and local economy, as well as family members who live, shop and invest locally. At the company level, the representative DSTA companies, program graduates and those not listed, but reside within PDI’s office building, have effectively increased staff and developed business, creating more than 150 jobs and infusing \$40M+ into the City of Fayetteville and the State of North Carolina.

The exponential growth the DSTA program continues to provide via generation of jobs and revenue to the State of North Carolina, while its funding continues to decrease, is a strong indicator of the level of success and commitment the program brings to the State.

### **Rural Business Enterprise Grant (RBEG) – Revolving Loan Fund Plan**

PDI/DSTA participated in the North Carolina Rural Business Enterprise Grant (“RBEG”), Revolving Loan Fund Plan (“RLF”), during FY 2011-2012, receiving a grant of **\$75,000** to start a revolving loan fund. PDI awarded the loan to an emerging small business, KBR-T, Inc.

The RBEG program is a federal program, monitored by the United States Department of Agriculture (“USDA”), which provides grants for rural projects that finance and facilitate development of small and emerging rural businesses, and any project funded under the RBEG program should benefit the same.

The RLF program is used to provide financial assistance to third parties within the guidelines of this plan. Loans can be amortized over the lesser of seven years or life of the security. The interest rate is determined by PDI’s Board of Directors’ Loan Committee and will typically not exceed the prime rate by more than 2%. The loan is generally interest only for the first year. As principal is paid back to PDI, the funds are segregated into a revolving loan account to be distributed as smaller loans, \$2,500 minimum. The revolving loan function enables the initial grant to fund other emerging businesses indefinitely.

KBR-T, Inc., located in Cameron, NC, was founded in May 2010 as a Service Disabled Veteran Owned Business (“SDVOSB”). KBR-T builds mobile towers, which serve as multi-purpose platforms for an assortment of communications systems and state-of-the-art security technologies. The company also builds emergency housing and carport enclosures, working with



Federal and Local Government for Disaster Relief in numerous short term and long term engagements. The loan has allowed KBR-T to increase staff and business operations to take their working model to market.

PDI has continued to administer this loan throughout the last fiscal year, which KBR-T is current on.

### 2012-2013 PDI / DSTA Highlights

- Received \$672K for FY13 from the State of North Carolina to conduct mission and operate the DSTA program.
- DSTA affiliate member, Montie Design, ranked in the top 50 of greater Raleigh area companies in terms of user engagement and website traffic, taking products from concept to marketplace to merit.
- DSTA Client, OSI, expanded business operations and substantially increased in size from one to 50+ employees, and from one to three offices (and currently continues to grow).
- NCDDBA Board of Directors and Committee monthly meetings held at PDI/DSTA facility.
- Hosted Shipley Training: *Writing Federal Proposals*, *Managing Federal Proposals*, and *Winning Executive Summaries* at the PDI/DSTA facility.
- Hosted Congressman Paul Ryan, 2012 Vice Presidential candidate, defense industry roundtable at PDI's R&D Lab.
- Charitable contributions and in-kind sponsorship provided to: the Fayetteville Urban Ministries; the Special Operations Forces Industry Conference ("SOFIC") Combat Flip Flops Auction; and various small contributions donated to State and local entities, to include the Association of the U.S. Army ("AUSA"), Fayetteville Regional Chamber, and Fayetteville Technical Community College ("FTCC").

### Members of the DSTA Program (July 2012 – June 2013):

Below is narrative of representative client's within the DSTA program during this time period:

- **Future Technologies, Inc. ("FTI")** is a Socially and Economically Disadvantaged ("8(a)") Business Development Program graduate providing mission-critical information systems and technical support services to the Government and private organizations worldwide. In April 2013, FTI was awarded a \$3.7M prime contract, Joint Integrated Air and Missile Defense Organization Administrative Support ("JIAMDO"), to support the U.S. Department of Defense, Joint Chiefs of Staff. As a subcontractor, the company will

continue to support the U.S Special Operations Command Mission Planning Environment Program Office contract (“SOMPE”) contract. FTI currently has 2 employees at PDI’s facility. [www.ftechi.com](http://www.ftechi.com)

- **LVC Corporation (“LVC”)**, founded in 2004, is a Service Disabled Veteran Owned Business (“SDVOSB”) based out of Fayetteville, NC. Their field personnel are trained and credentialed with more than 20 years of operational military experience. LVC provides research development, test, evaluation, and acquisition consultation supporting market surveys and white papers to facilitate transitioning the theoretical to the possible. The company had grown from three to eight employees and utilizes an office and small lab within the DSTA facility, as well as collaborates with PDI’s Research and Development Lab for testing and evaluation. [www.lvccorp.com](http://www.lvccorp.com)
- **Operations Services, Inc. (“OSI”)** is a SDVOSB and defense contracting company, founded in Fayetteville, NC, July 2010, which seeks to service the needs and requirements primarily of government organizations involved in national security, defense and homeland security. OSI achieved their 8(a) status thru the Small Business Administration (“SBA”) in September 2012 and is a participant in the GSA Mentor-Protégé program. Since its affiliation with DSTA, OSI has grown from one to 50+ employees (with substantial growth during this last fiscal year), and have expanded operations from one office to three in the PDI/DSTA facility. [www.opsservicesinc.com](http://www.opsservicesinc.com)
- **The North Carolina Defense Business Association (“NCDBA”)** is comprised of a group of businesses with interests in military contracting, government affairs, and supporting the State’s military installations. The focus of NCDBA is to provide information to defense contractors to enhance their contracting capability to benefit from this economic opportunity in North Carolina. The Association is comprised of a vast networking group of defense contractors, private businesses, Chambers, Economic Developers, municipalities, military leadership, Universities, and Community Colleges that is reaching across the state to provide a networking opportunity that promotes doing business in North Carolina. Currently the membership is reaching 300 members across the State, and currently employs two staff members in addition to its Executive Director. [www.ncdba.com](http://www.ncdba.com)
- **National Organization of Disability (“NOD”)** promotes employment and the full participation of Wounded Warriors with disabilities in all aspects of life. They manage and learn from employment demonstration programs and research and communicate what works, helping the most severely injured veterans of the wars in Iraq and Afghanistan to move forward on career paths. NOD works in partnership with employers, schools, the military, service providers, researchers, and disability advocates. A part of NOD’s business activities, the “Bridges to Business Program” helps employers hire, train, and retain job-seekers with disabilities. NOD currently has two employees at PDI’s facility. [www.nod.org](http://www.nod.org)
- **Alternative Experts, LLC (“ALEX”)** is a trusted provider of technical, logistical and management services for both government and commercial organizations. The company



has been certified as a participant in the U.S. Small Business Administration's ("SBA") 8(a) Business Development Program since 2009. ALEX currently occupies one office in the DSTA facility. [www.alexinc.com](http://www.alexinc.com)

"During our time as Resident Clients with PDI, the experience has been professional in nature and beneficial with marked success. The meeting space provided is great for team meetings and strategic planning sessions. Coupled with the other amenities such as VOIP telephone communications, mail center, copy/printing room together with a helpful, professional and knowledgeable staff makes PDI the ideal office suite location." - CREC Group, LLC

In addition to the aforementioned, the following companies were active client's during this last fiscal year:

- DynCorp International;
- CREC Group;
- BOSH Global Services; and
- Montie Design.

Further, through a subcontract with American Systems Corporation, the United States Army Reserve Command ("USARC") occupies an office at the PDI/DSTA facility that supports more than 96 sites throughout the U.S. and is expected to increase to more than 200 sites this time next year. Our facility is being inspected as a possible storage site for more than \$8M of U.S. Government communications equipment.

## **PDI Research and Development Lab:**

### **Overview**

PDI's 10,000-square foot, accredited Research & Development Laboratory provides the customer a full service engineering facility with a staff comprised of competent, seasoned former Special Forces / Special Mission Unit (SMU) operators and academically trained engineers and technicians who provide scientific, engineering, integration and technical support services, to include digital forensics of various electronic equipment and media, and training of electronic tradecraft techniques and best practices. Our unique niche is researching, developing, testing and evaluating relevant technologies and conducting technology development and integration, through a complete engineering process, with maximum utilization of Commercial-off-the-Shelf (COTS) and Government-off-the-Shelf (GOTS) technologies catered to customer requirements. PDI's R&D Lab provides engineering support for the development, planning, validation, testing, and evaluation of C4ISR systems.

Further, the R&D Lab performs military standard ("MIL-STD") 461 electromagnetic interference ("EMI") testing, MIL-STD 810 environmental (thermal shock, temperature humidity, temperature altitude) testing, DO-160 aircraft component testing, and emerging technology testing and evaluation for military and commercial clients. PDI's R&D Lab provides a broad set of capabilities and innovative solutions for current and emerging C4ISR challenges, ensuring continued responsiveness via full-scope engineering support in the development, planning, validation, testing, and evaluation of C4ISR systems.



PDI's R&D Lab remains the single anchor tenant of the All American Military Business Park. Constructed and staffed by PDI through more than ***\$4.7M congressional funding***, our team continues to successfully operate this state-of-the-art R&D facility due to awarded contracts through our efforts in the federal bidding process.

**The core competencies of the PDI R&D Lab include:**

- C4ISR Engineering Services, Support and Integration
  - Feasibility, Design, Development, Networking, Integration & Testing
  - Systems Requirements and Critical Design
  - Software Design
  - System Validation
  - Development and Delivery of System Prototypes
  - Prototype functional areas include:
    - Command and Control Computer/Servers and Processors
    - IP AD-HOC Mesh Network
    - Cellular Voice and Data Network
    - Handheld & Smartphone Form Factor Devices that allow the monitoring and control of operational assets ('edge devices')
- Technical Support
  - Special Communications
    - Cellular
    - Wireless
  - Computer & Network Security / Digital Forensics
  - Configuration Management
- Digital Forensics
- EMC / EMI / RF Emissions / Environmental Testing (thermal, humidity, altitude)
- Program Management, Project Management, Staff Augmentation, Training

**The PDI R&D Lab facility features:**

- A 36'x36'x18' semi-anechoic chamber for MIL-STD-461E testing with a 24' turntable with the capacity to handle heavy vehicles up to 55,000 lbs.
- 3,000 square foot indoor high-bay allowing vehicular modification and testing .
- An environmental testing lab with three chambers designed to test to MIL-STD 810, including the effects of temperature, humidity and altitude on products and equipment.
- Connection to the NC Research and Engineering Network (NCREN), a 100-Megabit-per-second Ethernet connection peered to networks such as the Internet2, National Lambda Rail and the Defense Research and Engineering Network (DREN).
- General workspace for resident program personnel, including a spacious classroom with a 25-person capacity and wireless internet throughout.
- A 460 square foot conference room with conference space for 15+ personnel, which includes media projection equipment, telephone with conferencing capability, and wired and wireless Internet access.
- A dedicated training classroom with a 22 student/personnel capacity, with appropriate

workstations, media projection equipment, telephone, and wired and wireless Internet access.

- Department of Defense facility clearance.

**The R&D Lab supported the following Department of Defense customers during this period of performance:**

- U.S. Special Operations Command (USSOCOM)
- U.S. Army Special Operations Command (USASOC)
- U.S. Joint Special Operations Command (JSOC)
- U.S. Army John F. Kennedy Special Warfare Center & Schools (USAJFKSWCS)
- Combatting Terrorism Technical Support Office (CTTSO)
  - Technical Support Working Group (TSWG)
- Headquarters, Communications and Electronics Command (CECOM)
  - Information and Intelligence Warfare Directorate (I2WD)
- United States Army Reserve Command (USARC)

#### **NAICS Codes and Descriptions**

334220	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
541330	Engineering Services
541380	Testing Laboratories
541512	Computer Systems Design Services
541519	Other Computer Related Services
541611	Administrative Management and General Management Consulting Services
541690	Other Scientific and Technical Consulting Services
541712	Research and Development in the Physical, Engineering, and Life Sciences
541990	All Other Professional, Scientific and Technical Services
561499	All Other Business Support Services
813219	Other Grantmaking and Giving Services
926110	Administration of General Economic Programs