Defense Daily's
TR2 Terror Response Technology Report
Business Opportunities for Critical Infrastructure Protection

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Briefing

▶ **The United Kingdom Home Office** has down selected two teams, one led by British Telecom and the other by Raytheon [RTN], to continue forward in that country's competition to manage the e-Borders program, which is aimed at collecting and analyzing passenger and crew data provided by air, sea, and rail carriers entering and exiting the U.K. An award to one team is expected next summer. Teams led by EDS Corp. [EDS] and Germany's T-Systems were eliminated. "E-Borders will play a vital part in safeguarding our borders, enabling us to track all those who enter and leave the U.K. while facilitating efficient and secure passage for legitimate travelers," says Joan Ryan, Home Office Minister. The program is expected to roll out core services by 2010 and finish by 2014. The BT team, called BT Emblem, includes Lockheed Martin [LMT], LogicaCMG, Hewlett-Packard [HPQ], ARINC and Anite. Raytheon's Trusted Borders team includes Accenture [ACN], Detica, Serco, QinetiQ, Steria, and Cap Gemini. EDS' team included Atos Origin and Northrop Grumman [NOC].

▶ **The TSA** has tested and certified new software developed by Reveal Imaging Technologies that increases the throughput of checked bags to over 125 per hour screened by the company's CT-80 Explosives Detection System. The CT-80 currently screens 80 bags per hour. Over 100 CT-80s are deployed at U.S. airports.

LANL Using Nanotechnology for Radiation Portal Screening

Los Alamos National Laboratory (LANL) has developed new technology for detecting radiation in containers and vehicles that it says would be better and less costly than current and soon-to-be deployed "next-generation" radiation portal monitors.

Now LANL wants to take its work in advanced nanophosphor composite scintillator materials to another level by partnering with industry to help it better focus its research efforts and to eventually commercialize the technology, the Department of Energy lab says in a recent *Federal Business Opportunity* posting.

The partnerships may be in the form of Cooperative Research and Development Agreements and or commercial licenses. LANL is already in discussion with several potential commercial partners.

"We believe that we have something that could be disruptive in the marketplace," David Pesiri, a licensing executive within LANL's Technology Transfer office, tells *TR2*. "If we can get the price down by an order of magnitude or increase performance by some factor, I think we could change the proposition for how materials are used as detectors in large scale radiation detection environments."

The nanophosphors are basically a class of particles that emit light when they interact with radiation. It's that interaction of the particles with the radiation that is then detected, Pesiri says.

"We're able to produce a scintillator, something that detects ionizing radiation, and we're able to do it in a way that

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Inside

Strategy Shifts Looks to Begin Paying Off for ImageWare

Sales this year at **ImageWare Systems** [IW] are beginning to ramp back up, several years after the identity management software technology firm took a big plunge and exited the hardware reseller business, opting to focus on its core software capabilities.

While sales were nearly halved as a result of that shift, the company still had trouble getting its footing as it eyed expanding the market for its identity management tools that historically were sold to state and local law enforcement agencies for criminal records management.

At the state and local level ImageWare is in its comfort zone as a prime contractor. But when the company decided to tackle the emerging federal market for identity management solutions it discovered a completely different ball game.

"Quite frankly we stubbed our toe a little bit because we thought that, since we did this at the state and local level we could just do this at the federal and international level, because our products and technology will more than make up for our size," Jim Miller, chairman and CEO of ImageWare, tells *TR2* in a recent

▶ *continued on p.4*

DHS Expands Air Cargo Security Pilot to Detect Stowaways

The Department of Homeland Security (DHS) has expanded its current air cargo screening pilot program, which has been ongoing at San Francisco International Airport (SFO) since this past summer, to a new venue, Seattle-Tacoma (Sea-Tac) International Airport where screeners will focus on using technology to detect stowaways on freight-carrying aircraft.

The Sea-Tac portion of the $30 million Air Cargo Explosives Detection Pilot Program (ACEDPP) will also involve explosives detection screening, albeit with screeners solely relying on canines. But for the stowaway screening, DHS will employ several handheld devices, some of which will be able to detect the "sound or motion" of a human heart, and others that can detect elevated carbon dioxide levels, a DHS spokesman tells TR2.

DHS would not disclose the specific technologies being used in the projected nine-month Sea-Tac trial nor the companies that are providing the screening devices. The DHS spokesman says the devices have all been successfully laboratory tested and that none of them have been used in

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► LANL [cont'd from page 1]

achieves high-performance with what we anticipate to be low cost," he says.

Pesiri says that for now LANL is keeping a tight lid on how its approach with nanophosphors differs from the current generation of Radiation Portal Monitors (RPM), which are deployed at most U.S. seaports, and the next-generation systems, which are called Advanced Spectroscopic Portals (ASP).

"So what we're doing now is using a nanocomposite, which is an inorganic particle in a matrix, to do the same job that a single crystal would have done in the past; single crystals being largely more expensive and more difficult to produce. That's really the cost proposition, the ability to use these particles to stand in place of more exotic single crystals. That's the real breakthrough."

The first real advances then will likely come in area of cost, Pesiri says. Next would be exceeding the performance levels of the RPM and ASP technologies, he says.

"We believe that we're on track to do both; the low-cost being the short-term win the high performance and low-cost being the longer term win," he says.

As for how soon a potential commercial product could see the light of day, LANL believes it's a short-term proposition. "The answer is well within a year we'd like to have something prototyped," Pesiri says.

And LANL has its hopes up.

In the Oct. 30 *FedBizOpps* posting announcing the technology transfer opportunity, LANL points to troubles in the ongoing ASP program, for which a potential $1.2 billion in contracts were awarded in July by the Department of Homeland Security (DHS) to **Canberra Industries**, **Raytheon** [RTN] and **Thermo Electron** [TMO].

"The Department of Homeland Security's plan to spend $1.2 billion deploying next-generation nuclear detection equipment at U.S. ports and border crossings cannot be justified, given test results that showed current devices are unreliable," LANL says in the *FedBizOpps* announcement.

Indeed, Congress has fenced FY '07 funding for ASP until DHS certifies that the next-generation portals represent a significant increase in operational effectiveness over currently deployed RPMs (*TR2*, Nov. 1).

DHS undertook the ASP program because the current generation RPMs, which cost about $55,000 each, can't distinguish between naturally occurring radioactive materials and weapons-grade materials, resulting in a high number of false alarms. Portals being developed under ASP are supposed to reduce the false alarm rate by better distinguishing between radiation given off by natural materials and special nuclear materials. The price of the ASPs is pegged at about $377,000 each.

A Government Accountability Office report released last month that reviewed DHS testing of the ASPs, says, "Performance tests also showed that the ability of new radiation detection portal monitors to correctly identify masked HEU (highly enriched uranium) (placed next to or within another, usually more benign, radiological substance) was even more limited."

Pesiri says he didn't write the *FedBizOpp* announcement and didn't want to comment on the language. "We want to tread lightly in terms of commenting on the political side of those decisions," he says. "All we can speak to is the promise of the technology that we believe we have here."

The companies that can be expected to try and partner include the likes of **General Electric** [GE], **Science Applications International Corp.** [SAI], Thermo and others, including small firms with fresh solutions, Pesiri says. In addition to the technical expertise potential partners may have, LANL is also looking for companies that understand how to work with DHS.

"Understanding what policy decisions we need to speak to and not just the technical decisions" is important too," he says.

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Access Intelligence

Samsung Joins GE, Siemens, Mitsubishi on CommerceGuard

South Korea's **Samsung Corp.** has acquired a minority stake in **CommerceGuard AB,** an equity venture owned by **General Electric** [GE], Germany's **Siemens** [SI], and Japan's **Mitsubishi Corp.,** giving it certain exclusive marketing rights in Asia for the CommerceGuard container security device. "Cargo security is an international problem and when you try to sell a global security solution you want partners that buy into the security of the product, the robustness of it, and the economics of it and you want top companies worldwide helping you out, Randy Koch, general manager of GE Security's Cargo Security business, tells TR2. He adds that Samsung's strong presence in Asia provides the CommerceGuard team the ability to sell, market and deploy" the solution there. "This partnership demonstrates our commitment to international security, and our confidence in CommerceGuard, a proven success," says Sung-Ha Chi, president and CEO of Samsung. Samsung will be responsible for marketing in Asia, Mitsubishi in Japan, Siemens in Europe and GE in North America. GE did a limited launch of CommerceGuard earlier this year and has several customers for CommerceGuard, including GE, but plans for a mass volume commercial launch of the product in January. Between now and January CommerceGuard AB will be working to further develop its reader infrastructure for the container security devices. Additional marketing partnerships are possible, Koch says.

Lockheed Martin Announces Team to Pursue TWIC

Lockheed Martin [LMT] says its will lead a team to pursue the Transportation Security Administration's Transportation Worker Identity Credential (TWIC) program, serving as the lead systems integrator and manager of the enrollment process. Teammates include: **Daon,** which will lead the management of the identity management systems operations and maintenance; **Datatrac** will stand up and staff the help desk and applicant call center; **Deloitte Consulting, LLP,** will apply its expertise in outreach and change management and will retain a major port stakeholder for the purpose of providing the team with critical insight into maritime stakeholder management; MAXIMUS, Inc., will act as the Web master for the TWIC program; and **LexisNexis Special Services** will assist Lockheed Martin in the periodic assessment of the program. During a pilot phase of TWIC, Lockheed Martin provided system design services as well as the enrollment hardware and software. Lockheed Martin's solution includes a call center and Web site for pre-enrollment and highly mobile enrollment stations. The biometric identification cards that Lockheed Martin would provide under TWIC are compliant with the Federal Information Processing Standard 201, which was created to meet the requirements of HSPD-12.

SIGA Passes Primate Trials of Smallpox Drug

SIGA Technologies, Inc., [SIGA] says its smallpox drug, SIGA-246, has successfully completed two independent primate trials, one sponsored by the National Institute of Allergy and Infectious Diseases and the other conducted at the Army Medical Research Institute of Infectious Diseases. Last month the company said the drug provides complete protection against human smallpox virus in nonhuman primates. In the two independent trials involved infection with high doses of monkeypox virus, which may be lethal in primates if left untreated. "Taken together with the recent breakthrough results from the smallpox virus study, the data continue to support the use of SIGA-246 as the first drug available to prevent and treat disease caused by pathogenic poxviruses without significant side effects," says Dr. Dennis Hruby, SIGA's chief scientific officer. "These are very important results for two reasons. First, in many respects monkeypox infections in non-human primates are more aggressive than infection with smallpox virus, so protection by SIGA-246 represents a higher hurdle. Second, SIGA will likely use SIGA-246's performance against monkeypox infection in monkeys, along with the results in all of the several animal species tested to date, so satisfy FDA's (Food and Drug Administration) efficacy requirements, so success here bodes well."

Ingenia's Authentication Tech Wins Global Security Challenge

Ingenia Technology, an emerging United Kingdom-based firm in the authentication and verification of papers, plastics and metals, as used in documents, identification cards, and product packaging, won the Global Security Challenge for its Laser Surface Authentication (LSA) technology. The LSA reads the surface of paper, plastics and metals using a low cost laser, analyzing its structure with a reliability level of at least one million trillion. The reflected laser from the surface is used to capture microscopic signatures of the surface. The material's "fingerprint" provides a new way of authenticating and tracking goods and documents such as credit cards, passports, medicines, automotive and aerospace components. Run by the London Business School the Global Security Challenge is an annual competition to find the most promising security start-up in the world.

► imageWare [cont'd from page 1]

interview. "And that was a misjudgment on our part. The fact of the matter is on federal and international projects size matters. It goes directly to the question of how credible you are to lead a major identity project on the public or private side."

So a little over a year ago ImageWare went from trying to directly market to potential federal and private customers to making the systems integrators aware of its willingness to work with them. The company's research showed that generally the large prime contractors don't have their own identity management software tools and that they typically go after business opportunities with a "coalition of other company's products" which they integrate as part of a larger solution, Miller says.

"We decided to spend the last year going to those integrators, showing them our stuff and offering them the ability to take it on an OEM (Original Equipment Manufacturer] basis and simply indicating our participation, e.g., powered by ImageWare," Miller says. "And a number of them have said yeah, good idea."

ImageWare's Numbers

	1H06	1H05
Sales	$5.7M	$4.9M
Net Inc.	($2.7M, $0.20)	($2.8M, $0.23)

Although its losses have narrowed somewhat this year, ImageWare has posted net losses in each of its past five fiscal years. The good news so far in 2006 is that revenues have begun to ramp up and losses inched down despite slightly higher sales, general and administrative costs and a 21% increase in R&D spending to $965K. ImageWare CEO Jim Miller says sales are up because the market for identity management solutions "has ripened" and because the company's products are market ready. Still, the company's financial condition remains shaky. ImageWare is out of compliance with certain American Stock Exchange listing standards related to shareholder equity, losses from continuing operations, and overall operations, financial resources and financial conditions. In September AMEX granted the company an extension to regain compliance over the next year.

For example, in September ImageWare signed a deal to provide **General Electric**'s [GE] security subsidiary its biometric identity management and secure credential software systems for use in GE's Picture Perfect enterprise access control and security management system. The combination will allow Picture Perfect to support biometric enrollment and identity proofing, and card management and issuance of biometrically-enabled secure credentials. Moreover, it will meet the requirements of HSPD-12 and the Transportation Worker Identification Credential.

GE plans to target government and private organizations with its solution

"They're a company that believes, as a number do, that the HSPD-12 standard—being the first time that the fed government has come out with a standard and vetted–it will transfer very nicely over to large, private sector enterprise solutions," Miller says.

More recently ImageWare has joined a **Honeywell** [HON]-led team that is offering an integrated physical and logical control system for complying with HSPD-12 requirements. The team also includes **Novell** and **ActivIdentity** [ACTI]] and is offering all the components of the Federal Information Processing Standards (FIPS 201) to help potential government customers comply with the HSPD-12 requirements. Honeywell will also be targeting commercial customers as well.

More Partners

Miller says there is more to come in terms of partnering with larger integrators. He and his team have been all around the Washington, D.C. area and elsewhere in the country meeting with these companies.

"From **Oracle** [ORCL] to **Hewlett Packard** [HPQ] to Honeywell, we're just getting out in front of these folks, and you'll see more of that from us," Miller says.

Miller believes, like many in the identity management business do, that the market is primed for takeoff, largely because programs managed by the U.S. and international governments are poised to begin spending here. And Miller says the fact that the large systems integrators are getting into the act further demonstrates that the business case for identity management services is being validated.

"We just fundamentally believe that the GE's of the world and the HP's of the world, that those guys are not getting into this space because they see a $50,000 deal," Miller says. "They see large opportunity and they see it at hand so they're turning to, and responding with, a suite of products."

ImageWare is well positioned to partner with these companies, Miller says, because it has a suite of vendor neutral software products that are "ready to go" and don't require custom development. The company can provide an end-to-end identity management system or just one or more of the components, such as biometric capture or card management, he says.

Beyond the federal, international and private sector markets, state and local projects for identity management are also emerging, Miller says. These involve things like better securing benefits dispensation and the using biometrics to cut down on fraud, he notes.

In the state and local arena ImageWare is already locked in with its database creation and biometric software matching capabilities. The company counts about 900 different police agencies as its customers, dating back to the mid-1990s when it began to use its legacy image processing capabilities to digitize criminal booking records to allow biometric matching and easy file transmission over the Internet.

"We replaced what was, and still is in some places, a paper based system of records," Miller says. At about the same time the company began developing facial recognition software to speed identity matching. ImageWare sold its first facial recognition software product to the City and County

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► Imageware [cont'd from page 4]

of Los Angeles in late 1997.

As its software business grew, so did the revenues the company made by reselling hardware such as cameras and printers for identity cards. With hardware business come worries about warranties, service and repair, which is all "expensive," Miller says. Moreover, ImageWare's core capability was software development. So in 2003, when the company's revenues peaked at $18.6 million, it announced it would exit the hardware business and focus on further developing and marketing its identity management software solutions.

When revenues dived to $9.9 million, "Wall Street said, 'Oh my God, the company lost 50 percent of its top line,'" Miller says. However, he says investors had been forewarned. He also says that the company's margins began to improve once it focused on the software business.

ImageWare's business model is based on software products becoming the key link in the identity management solutions market. That's why the company's products are designed to work with any biometric hardware and identity software. The industry has been hardware based, driven by the hardware suppliers selling products like fingerprint capture devices along with proprietary software to make a closed end system, Miller says.

"We decided the time was right for a software-based approach, which was pretty revolutionary in that it says the hardware, while important, is only part of the equation, and you should be free as a vendor to be able to choose whatever hardware you have and whatever algorithms you want and be able to change as new and better things come without having to trash your initial investment," Miller says. "Of course a lot of the proprietary guys don't like that because we're probably in a lot of ways a nightmare for people who've built their businesses on well selling proprietary closed end systems; and you're stuck."

Earnings News & Notes

AS&E [ASEI]

	2Q07	2Q06
Sales	$29.6M	$59.5M
Net Inc.	$4.8M, $0.49	$8.4M, $0.93

Sales were off 40% from a year ago, which was the company's best quarter ever, in part on delays in receipt of a $42M Pentagon order for 36 Z Backscatter Vans (ZBVs) that occurred in September, delays in finalizing letters of credit for a cargo inspection system under a contract with a Middle East client, and the transition to the dual energy Gemini parcel inspection system. Despite the softer sales, which are typically lumpy for AS&E, the company posted record backlog of $117M, up 54% from a year ago, positioning itself for a strong second half. Between 80% to 85% of the backlog should convert to sales within a year, AS&E says. Moreover, there is $88M in contract options that are currently unfunded and not in backlog. AS&E believes these options will be exercised in the next year or so, says Anthony Fabiano, AS&E's president and CEO, further contributing to future strong sales. Given the strong near-term outlook, Morgan Keegan analyst Brian Ruttenbur upgraded the stock from underperform to market perform, noting which is basically a hold rating. The company is also touting the addition of several new customers, pointing to its "strategic" win on the Cargo Advanced Automated Radiography System for the Domestic Nuclear Detection Office, the first order from Customs and Border Protection for multiple ZBVs to be used operationally, and a Navy order for the OmniView Gantry Inspection System. The breakout for sales in the quarter was $677K for cargo systems, $14.6M for Z Backscatter systems, $379K for parcel inspection systems, $13.7M in field service and support, and the rest from contract R&D. Earnings fell on the lower sales and also due to a 20 cents EPS hit for new accounting rules for stock-based compensation. R&D expenses fell nearly $900K to $1.5M in 2Q as AS&E briefly transferred resources to start up its CAARS effort and to bid on new opportunities. The company plans to return to its long-term R&D strategy. AS&E also had nothing new to say about progress with the Transportation Security Administration with its Smart Check whole body imager although international interest in the system continues to grow.

Cogent Systems [COGT]

	3Q06	3Q05
Sales	$23.4M	$38.4M
Net Inc.	$5.7M, $0.06	$20.1M, $0.21

Sales were down 40 percent in part on deferred revenue collection as well as delays in new business opportunities, marking three straight quarters of badly missing consensus estimates. About $5M in sales from the Royal Canadian Mounted Police was delayed because Cogent is having difficulties understanding when revenues are recognized under its RCMP contract, mainly because the RCMP is a relatively new customer, says Paul Kim, Cogent's chief financial officer. He also says that in other instances the timing of orders has been difficult to predict. Ming Hsieh, Cogent's chairman, president and CEO, says Sagem Morpho won the recent EU VIS contract with a bid of about $29M, approximately 70% less than the competition. Motorola [MOT] also bid. He doesn't believe the price is realistic and that there must be a "technical flaw" associated with Sagem's bid. They can't deliver a real system" at that price, Hsieh asserts. Now that EU VIS has been decided, Cogent is eyeing opportunities for its Automated Fingerprint Identification System (AFIS) in European Union member states. However, when bids would be submitted for these competitions is uncertain. Cogent did win a multi-million dollar contract from the United Kingdom's Home Office to supply fingerprint and facial image capture software for the UKvisas Biometrics Program with rollout beginning in Feb. 2007. Earnings fell on the lower sales, lower margins, stock compensation expense and higher legal expenses associated with its ongoing intellectual property lawsuit against Northrop Grumman [NOC], which is slated for a May 2007 trial date. In the 4Q Cogent expects sales of $46M to $56M and operating earnings of between 14 and 17 cents EPS. Cogent has been picking up business in the U.S., in some cases unseating competitors like Sagem with lower prices. That price war for AFIS is "likely to continue, resulting in margin degradation," says Jeremy Grant of Stanford Equity Research.

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► DHS [cont'd from page 2]

an aviation environment.

At SFO as part of ACEDPP, Transportation Security Administration (TSA) screeners have been using screening technology currently in use for detecting explosives in checked baggage, to look for explosives on air cargo primarily carried in the bellies of passenger planes (TR2, June 28). The SFO pilot is expected to wrap up within the next few months.

Unlike the SFO pilot, the Sea-Tac program is being done at an all cargo facility where the freight will be loaded on air cargo freighters. Stowaways are a higher concern on jet freighters because the cargo is also loaded on the flight deck, where a terrorist or someone else could threaten the flight crew.

Shortly DHS is expected to announce one more U.S. airport that will be used to test air cargo screening technologies under the ACEDPP.

While part of ACEDPP is to inform DHS, TSA and Congress about screening technologies and methods that may work and may not, another facet of the program is to obtain data "that illustrates economic and operational impacts to air carriers from enhanced screening levels," DHS says. At Sea-Tac, "Tests will focus on areas that include assessing the flow of air cargo and how quickly it must be screened," DHS adds.

At SFO and the yet-to-be-named airport under ACEDPP, the DHS Science and Technology Directorate and its partners in the program will be investigating if screener can increase by six times the amount of cargo currently being screened. At SFO the DHS has been doing this be adjusting the number of screeners, the department spokesman says. At the other airport a dedicated, but set number of screeners will work to find out how much cargo they can handle, he says.

The ACEDPP is congressionally mandated. Separately, DHS S&T is also involved in research and development of technologies designed to detect explosives in air cargo containers. S&T is evaluating eight different screening technologies at the Transportation Security Laboratory in New Jersey.

"Promising technologies will be down-selected in the next 24 to 36 months," says the spokesman says. "Further proposed testing decisions in an operational environment will then take place by the TSA."

The technologies being evaluated for containerized screening are: megavolt computed tomography; pulsed fast neutron spectroscopy; neutron radiography; pressure activated trace sampling; trace explosive detection cargo screening; quadrupole resonance/trace cargo screener; and coated micro-cantiliver trace explosives detection trace cargo detection.

DHS is also funding the development of systems, such as X-Ray, that can screen entire pallets of cargo at once for explosives.

Earnings News & Notes

L-1 Identity Solutions [ID]

	3Q06	3Q05
Sales	$39.8M	$14.3M
Net Inc.	($29.3M, $0.60)	($2.1M, $0.11)

Sales increased largely from the acquisitions this year, including one month of Identix' results, although legacy revenues at Viisage were up a healthy 33% on passport and imaging authentication sales. Losses widened on $27.9M in non-recurring charges related to asset impairment, the Identix merger, severance costs, stock-based compensation and others. L-1 reduced its workforce by 110 people and "will aggressively manage costs," says Bob LaPenta, L-1's chairman, president and CEO. In the fourth quarter L-1 expects between $75M to $80M in sales and to turn profitable for the first time with earnings per share (EPS) between 2 and 4 cents. Backlog stands at $500 million, most of it from SpecTal, L-1's most recent acquisition, which just won a "major" competition in the intelligence arena, LaPenta says. About $64M of the backlog will turn into sales in the 4Q. In 2007 L-1 says sales will be $330M, with at least 20 percent of the growth organic, and EPS between 8 and 12 cents. About $215M of the current backlog will convert to sales next year. Free cash flow will be at least $50M next year. LaPenta listed a slew of near-term business opportunities, most of which aren't even factored into the company's guidance, ranging from Transportation Worker Identity Credential (TWIC) and Registered Traveler to new drivers license competitions, the Western Hemisphere Travel Initiative (WHTI) and others. L-1 will make a "full court press" on WHTI just as it has done with TWIC, he says. LaPenta also says the recent purchase of Iridian, in addition to enhancing L-1's capabilities in iris recognition algorithms, which will translate into intellectual property and licensing revenues, is causing systems integrators and even competitors to want to team with L-1. He believes iris recognition eventually emerging the number two biometric modality.

OSI Systems

	1Q07	1Q06
Sales	$115.5M	$101.9M
Net Inc.	($6M, $0.36)	($4.2M, $0.26)

Sales increased 13% on a 52% increase in Security sales to $27M and a strong increased in Optoelectronics and Manufacturing, more than offsetting a decline in Healthcare. Sales of cargo inspection systems were up 214% to $11.5M and people and parcel systems were up 26%. Backlog in the Security group reached a record $115M, with $48M belonging to cargo systems. Bookings in the group were a record $87M. The net loss widened as the Healthcare group swung to a loss. The loss at Security narrowed to $1.8M in part on continued production issues in the cargo line. However, with the growing backlog in cargo across multiple product lines, OSI believes it can begin to address these production issues going forward. Security sales and earnings should ramp up in the second half of the year. OSI is maintaining its fiscal 2007 revenue guidance of $535M to $545M and earnings of 35 to 45 cents EPS, excluding one-time charges.

TSA Awards L-3 $40M for More eXaminers

The Transportation Security Administration (TSA) has awarded **L-3 Communications** [LLL] a contract valued at over $40 million for an unspecified number of eXaminer 3DX Explosives Detection Systems (EDS) as well as upgrades to existing eXaminers deployed at airports to bring the systems up to the most current product release. "In creating explosive detection equipment with flexible platforms that allow for expansion, and improvement, we have increased operational efficiency and cost effectiveness," says Thomas Ripp, president of L-3 Security and Detection Systems. The upgrades to the currently deployed systems will include: expansion to a one-meter-wide tunnel, which senses bag size and automatically rotates bags for optimum presentation to the scanner; extra-long baggage capacity; a High-Throughput Stand Alone System Upgrade for eXaminers in airport lobbies, which increases throughput capacity for non-inline systems by up to 75% by adding a program logic controller. L-3 says that TSA purchased 50 upgrades. The purchases were made with FY '06 funds.

Covenant Aviation Security Nabs SFO Screener Contract

Covenant Aviation Security, part of **Covenant Services Worldwide, LLC,** has won a potential $314 million contract under the Transportation Security Administration's Screening Partnership Program (SPP) to be the private screening contractor for San Francisco International Airport (SFO). The period of performance under the contract began on Nov. 1 and ends on Sept. 30, 2010, if all options are exercised. The value of the 11-month base period of performance is $70.6 million. Covenant, and its teammate **Lockheed Martin** [LMT], will be providing screening services for passenger, checkpoint and checked baggage operations at SFO. The team provides similar services at Sioux Falls Airport in South Dakota under an SPP contract.

AS&E Gets $2.2M to Ruggedize ZBV

The U.S. government has awarded **American Science & Engineering** [ASEI] a $2.2 million contract to develop and deliver a ruggedized Z Backscatter Van (ZBV) system, giving the ZBV the ability to operate in harsh terrain and filling an immediate need for counter-terrorism missions, the company says. "It's a significant development for the future product line," says Anthony Fabiano, AS&E's president and CEO. During its second quarter earnings call AS&E disclosed that it has sold 253 ZBVs globally, and shipped 208 of these. "We estimate the majority of the vans are used by the military in Iraq and Afghanistan and will likely require a 'ruggedized' upgrade in 2007, although visibility remains limited at this time," says financial analyst Josephine Millward of Stanford Equity Research in a note to clients.

Implant Sciences Gets First QS-H150 Orders

Implant Sciences [IMX] has received an order for 11 Quantum Sniffer-H150 handheld explosives detection devices from the United Arab Emirates, marking the first award for the upgraded device, which is lighter and smaller than the original H100s. "We are pleased that the first installation of our new QS-H150 device will be in such a highly visible location as the UAE," says Joanne Arsenault, Implant's vice president of sales and marketing for its Security Division. "We believe our campaign to introduce our new QS-H150, which is lighter, more compact and designed with features to improve the ease of use, maintenance and manufacturability of the device, was well received and has provided us the exposure necessary to grow sales over the next several quarters."

DHS Awards ICx $1M to Adapt Fido XT for Maritime Work

ICx Technologies has received a $1 million contract from the Department of Homeland Security (DHS) to adapt its handheld Fido XT explosives detector to provide high-volume sampling capabilities suitable for Coast Guard Maritime Safety and Security Team (MSST) operations. The funding is through the Homeland Security Advanced Research Projects Agency Rapid Technology Application Program. MSST operations require wide-area explosives detection capabilities, making the use of canines and technologies such as ion mobility spectroscopy difficult for these operations, ICx says. Fishing boats, container ships, pleasure craft and other vessels present large areas to be searched during a relatively short period. If prototypes meet DHS requirements during testing, that will mean the device is ready as a commercial product for potential use by DHS, says ICx. The Fido XT weighs less than three pounds.

DHS S&T Plans Integrator Forum on Cyber Security

The Department of Homeland Security's (DHS) Science & Technology (S&T) Directorate will host a System Integrator Forum on Jan. 17, 2007, in Arlington, Va., to showcase several new cyber security solutions funded by S&T that aim to remediate federal and commercial cyber security vulnerabilities. The goal of the forum it to introduce top-performing research companies to large technology integrators who serve the federal government and private industry. Each of the presenting technology developers have completed cyber security technology development products funded under DHS Broad Agency Announcements or Small Business Innovative Research Programs and have been selected for the forum based on the maturity of their solutions, relevance to government needs, the commercial viability of their approach and their business leadership. Sol. No. SN-11-2006. Register by Dec. 8, http://www.cyber.st.dhs.gov/siforum. Contact: Sharon Flowers, contract specialist, 202-254-6816, Sharon.flowers1@dhs.gov.

NavSea Topical BAA for Explosives Detection, Border Intrusions

The Naval Sea Systems Command (NavSea) has issued a Topical Broad Agency Announcement (BAA) for In-Ground Fiber Optic Sensor Systems for Detection, Classification, and Localization of Explosions, Explosive Device Placement, and Border Intrusions. The complete announcement is at: http://npt.nuwc.navy.mil/contract/. Sol. No. BAA-070334. Respond by Dec. 11. Contact: Nancy Howard, contract negotiator, 401-832-1545, howardns@npt.nuwc.navy.mil.

Counter-Narcoterrorism Tech Office Seeks Support

The Defense Department's Counter-Narcoterrorism Technology Program Office is seeking support services for technology development and application; training, operations and logistics support; and professional and executive support. The estimated value of the support contracts is between $100 million to $300 million per year. Most of the work, 93 percent, will be done outside the continental U.S. and the support services will mainly be training, operations and logistics support, followed by technology development and application, with the remainder being professional and executive support. A final Request for Proposals is expected to be released around Nov. 30. Sol. No. W9113M-06-R-0014. Respond by Jan. 8, 2007. Contact: Joe Cloft, contract specialist, 256-955-3407, joseph.cloft@smdc.army.mil.

Army Issues RFI on Detecting Thin Wires

The Army has issued a Request for Information (RFI) on immediately available technologies and other measures that may be effective in detecting long, thin wires, basically small gauge conductors, ranging from tens of meters to several hundred meters long. The wires can be run along the ground, suspended from vegetation and or common utility poles, or buried just below the surface. Stand-off detection capabilities are desired from the air and from moving ground vehicles. The Army is hoping to support a rapid acquisition decision and or evaluate suitability fo immediate and near-term experiments early next year. Sol. No. W15P7T-07-R-P004. Respond by Nov. 21. Contact: Kristine Callaert, 732-532-8315, Kristine.callaert@us.army.mil.

NSWC Investigates High Energy Laser for Military, DHS Use

The Naval Surface Weapons Center (NSWC) Crate has a requirement in support of the Naval Sea Systems Command's Directed Energy and Electric Weapon Systems Program Office to determine the general availability of components, equipment, subsystems and systems that could comprise a High Energy Laser Weapon System for use by the military services and the Department of Homeland Security (DHS). Emphasis is on an initial capability that could countera a subset of asymmetric threats such as jet skis, small boat swarm attacks, rockets, mortars, artillery rounds, manpads, electro-optic sensors, and soft unmanned aerial vehicles. Sol. No. DON-SNOTE-061106-003. Respond by Jan. 12, 2007. Contact: William Wooton, 812-854-3822, William.wooton@navy.mil.

CDC Solicits for Anthrax Vaccination Program

The Centers for Disease Control (CDC) has issued a solicitation for an Anthrax Vaccination Program and has developed a program to offer Anthrax Vaccine Absorbed inoculations to eligible workers who could be exposed to anthrax either through laboratory accident or deliberate exposure. The contractor will work eith the CDC to vaccinate high workers against anthrax in at least 165 locations in the U.S. and Puerto Rico. Sol. No. 2007-N-01975. Respond by Nov. 28. Contact: Berta Biltz, contract specialist, 770-488-2643, boh9@cdc.gov.