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The Avascent Group, formerly DFI Corporate Services, is a leading provider of strategy and management consulting services to global leaders in homeland security, defense, aerospace, logistics, transportation and high technology.

About The Avascent Group

- The Avascent Group was formed in February 2007 via a management buyout of DFI Corporate Services.
- We provide strategy and management consulting services to firms operating at the nexus of business and government.
- We specialize in serving firms in the defense, aerospace, homeland security, logistics, information technology, and technical services industries.
- For more information, please visit www.avascent.com.
DHS spending remains robust, though below the FY06 peak following Hurricane Katrina

**DHS Budget Trends**

**FY08 Major Budget Trends**

- **2007 $42.8B plus $2.9B Supplementals**
  - More than $700M in supplemental funds reserved for aviation security and State & Local grants

- **2008 $46.4B**
  - 8% growth from 2007
  - 8% CAGR (not including Supplementals) since DHS incorporation in 2003
  - Growth across most agencies

- **R&D priorities at S&T, DNDO and OHA**
  - Continued spending on CBRNE technologies (current and next-gen)
  - S&T dedicating approximately $80M to innovative high-risk technologies

*Despite net increases in virtually all agencies’ budgets, not all growth will present opportunity for significant industry involvement*
The fastest growth in contracting in recent years has taken place within FEMA, CBP, ICE, as well as select new offices and R&D programs under DHS.

A handful of contracts account for a large share of contracting dollars within FEMA, CBP, TSA, and USCIS.

**DHS Contracting Trends**

**Contracts by DHS Agency**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total Contracts (FY06)</th>
<th>Top 5 FY06 Contracts (% total)</th>
<th>CAGR FY03-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>$1.44 B</td>
<td>27%</td>
<td>147%</td>
</tr>
<tr>
<td>USCIS</td>
<td>$0.45 B</td>
<td>52%</td>
<td>29%</td>
</tr>
<tr>
<td>ICE</td>
<td>$1.26 B</td>
<td>20%</td>
<td>86%</td>
</tr>
<tr>
<td>TSA</td>
<td>$1.50 B</td>
<td>44%</td>
<td>11%</td>
</tr>
<tr>
<td>USCG</td>
<td>$1.77 B</td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td>CBP</td>
<td>$1.79 B</td>
<td>39%</td>
<td>68%</td>
</tr>
<tr>
<td>FEMA</td>
<td>$6.92 B</td>
<td>48%</td>
<td>172%</td>
</tr>
</tbody>
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Sources: EagleEye Federal Prime Contract Database, Avascent Analysis
Border & Immigration is the largest DHS market segment; Transportation & Protection remains large but funds are largely committed.

**FY08 Budget by DHS Agency**

- CBP, CIS and DNDO all post double-digit budget growth, whereas the S&T Directorate is receiving an 18 percent decline.

**Border & Immigration Trends**
- SBInet milestones and major immigration reforms, such as Temporary Worker Program
- CIS fee reform critical to future procurements

**Disaster Response Trends**
- Continued FEMA reform focused on business process management
- Massive S&L grant program is a major focus of this year's appropriations cycle

**Transportation & Protection Trends**
- Major programs at USCG (Deepwater) and TSA (Secure Flight, TWIC), but funds largely spoken for; continued Congressional scrutiny

**Research, Training & Ops Trends**
- S&T budget cut due to transfer of detection research to other agencies (NPPD, TSA); new leadership wants greater industry involvement
Despite net funding increases at almost every DHS agency, only a few organizations present significant near-term opportunity.
Six macro priorities are driving DHS-wide spending objectives

**FY08 Macro Priorities**

**Comprehensive Immigration Reform**
- **SBI**
  - Largest funding item for 2008
- **CIS Processing Capacity**
  - Modernization critical to building credibility for TWP
- **Detention Capacity**
  - Needs more efficient processing to support significant interior activity

**Biometrics and ID Programs**
- **USVISIT**
  - Focus on building increased biometric interoperability; exit not a priority
- **WHTI**
  - Significant infrastructure outlays
- **Real ID**
  - Deadline for state implementation spring 2008

**Transportation Security**
- **Air Cargo**
  - Congressional pressure to inspect/screen 100% on passenger planes
- **Securing the Cities**
  - Technology for NYC pilot to be deployed by end of 2008
- **TWIC**
  - Expect next phase to include infrastructure

**Bio-security and Public Health Emergencies**
- **OHA**
  - New OHA with biological detection and response authorities
  - Important role with State and Locals given BioShield and Medical Readiness activity

**Nuclear Detection and Chemical Facility Security**
- **RPM Deployment and Next-Generation Research**
  - Deployed technology to scan 99% of containerized cargo
  - Policy questions regarding overseas screening
- **Chemical Site Security Office**
  - New regulations in place

**Federal Response to Hazards and Disasters**
- **State & Local Assistance**
  - More defined, categorical approach to grants
- **FEMA Retooling**
  - Vision for a new FEMA
- **Workforce Enhancements**
  - Converting cadre of on-call response employees
Business with DHS will become increasingly relationship based

<table>
<thead>
<tr>
<th>Customer Lessons Learned</th>
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<tbody>
<tr>
<td><strong>On-schedule Deliveries for Existing Programs</strong></td>
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<tr>
<td>▪ Premium on delivery, especially for high-profile programs</td>
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<tr>
<td>▪ No surprises – keep client informed of any challenges or delays</td>
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<td>▪ Increasing use of performance metrics</td>
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<tr>
<td><strong>Low-risk Technical Solutions</strong></td>
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<tr>
<td>▪ Low-risk solutions = new business wins (e.g. SBInet, TWIC)</td>
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<tr>
<td>▪ Eagle/First Source as preferred vehicle</td>
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<tr>
<td>▪ Watch SBInet closely</td>
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<tr>
<td>▪ Personal relationships are important to build customer trust</td>
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<tr>
<td><strong>Small Business Partnerships</strong></td>
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<tr>
<td>▪ Eagle Small Business as the critical vehicle</td>
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<td>▪ Incumbent small businesses provide additional customer comfort</td>
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<td>▪ Small business teaming opportunities increase program access</td>
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<tr>
<td><strong>Public Support of Key Programs</strong></td>
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<tr>
<td>▪ Bite back in the press where necessary</td>
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<td>▪ Industry invited/required at more Congressional hearings</td>
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<td>▪ Proactively manage messaging and public perception with DHS customer</td>
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