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## Companies Find Deals By Supplying Defense

Ongoing needs of military keeping innovators busy despite downturn

By João-Pierre Ruth

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Mercerville-based Laser Energetics develops lasers for military, commercial and medical uses. CEO Robert Battis, right, and John N. Magno, vice president of research and development, review one of their machines. [Steven J. Dundas]

MERCERVILLE — While economic uncertainty persists in a host of industries, defense contracting continues to drive business for companies that offer services and supplies needed by the military. Major enterprises may win big contracts to supply the armed forces with new technology, but they routinely turn to the smaller companies for specialized services.

Researchers at development-stage company **Laser Energetics**, which develops lasers for military, commercial and medical uses, are readying BrightStar, a detector of harmful chemical and biological agents on the battlefield. **Robert Battis**, chief executive officer of the 17-year-old company, says Laser Energetics is working with engineering company **ITT Corp.**, in White Plains, N.Y., to fulfill a contract for a portable solid-state laser that identifies hazardous particles. Battis says he expects to deliver the laser to the military by third-quarter 2009; troops could place the sensor on vehicles to examine battlefields from afar and also on aircraft that may pass through tainted clouds.

Battis says ITT partnered with Laser Energetics because "it's our expertise." On Aug. 12, Laser Energetics completed a "proof-of-concept" contract worth \$481,268 with ITT for the BrightStar brand laser. The laser uses synthetic alexandrite crystal to focus the light beams. Closely held Laser Energetics would not disclose revenue or staff size.

Battis says previous work with ITT helped him land the latest subcontracting deal. Laser Energetics first collaborated with ITT seven years ago; Battis says such relationships have helped his company get in on defense contracts.

"Many times, it is hard to go it alone," he says. "You've got to go with a bigger brother who knows the ropes and already contracts with people who write large contracts."

Another potential source for defense contracts is Picatinny Arsenal in Rockaway Township, the Army's research and manufacturing site for munitions. **Eric Bankit**, assistant director of the joint munitions and lethality life cycle management command, says Picatinny will spend close to \$3 billion this year on contracts to its suppliers and service providers.

Bankit, who works in the office of small-business programs at the facility, says he matches the needs of Picatinny's researchers to suppliers of technology and materials. He also helps small businesses find subcontracting opportunities on projects originating from Picatinny. "We are looking for innovation, high-tech suppliers, engineering, manufacturing capabilities for prototypes," he says. "That's our bread and butter."

Some contractors are domiciled in the business incubator at Picatinny, Bankit says. On-site startup companies include **Lightening Energy**, a developer of battery technology for hybrid

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vehicles, and **Germgard Lighting Inc.**, which makes sterilizing devices that use ultraviolet light or ozone to kill pathogens, he says.

The Army currently transports steam-based sanitizers the size of refrigerators into the field, says **Peter Gordon**, vice president of marketing and co-founder of Germgard. The company's portable sterilizer uses ozone to cleanse surgical instruments; he expects the device — which is about the size of an attaché case — to be in the Army's hands within two years.

"You don't need water or electricity to operate it," he says. "If soldiers are getting injured in Iraq and Afghanistan, they can do immediate operations on them using sterile instruments."

Gordon says Germgard was awarded a \$200,000 grant in June by the Army to demonstrate its technology for sterilizing surgical instruments. The grant will pay out over six months, Gordon says. The company also has received a \$500,000 Edison grant, he says, from the New Jersey Commission on Science & Technology.

Well-established companies in the def-ense market, such as **Dewey Electronics** in Oakland, also are busy creating equipment to meet the military's needs in the field. Dewey Electronics, a 53-year-old designer and manufacturer of electrical equipment, got a follow-on order in August for an auxiliary power generator ordered by the Marine Corps for a contract awarded in July 2007.

Dewey says it will receive \$502,300 for delivery of parts and service kits for its generators, which are installed on Marines' vehicles to power devices that jam explosives, preventing them from detonating. Dewey's staff of 44 is working to fulfill the order by January 2009.

"Working for the government is counter-recessionary," says CEO **John Dewey**. "The government will try to spend its way out of a recession."

Defense contracting, in spite of the ongoing demand for equipment, can be a volatile business, Dewey says. With shifting military needs, he says, some suppliers may see business adjusting in response: Dewey saw net income of \$37,380 on revenue of \$2.4 million for the fiscal third quarter ended March 31, compared to a net loss of \$914,157 on revenue of \$1.2 million for the prior-year period. Dewey says the growth was partly caused by increased production and sales.

One potential source of defense business, now being pursued by Laser Energetics, is a Small Business Innovation Research, or SBIR, grant. SBIR grants are disbursed throughout the year by 11 federal agencies, and include defense. The grants are intended to help small businesses develop new technology desired by military and government agencies. Dewey says the contracts it wins outside of the program are larger than most SBIR grants, which top out in the range of \$750,000 to \$1 million.

Increased funding may be available in the future for SBIR grant winners, according to **Randy Harmon**, director of technology commercialization for New Jersey Small Business Development Centers. Current legislation governing SBIR funding expires Sept. 30; Harmon says efforts are under way to increase maximum Phase I SBIR grants from \$100,000 to \$150,000, and maximum Phase II grants from \$750,000 to \$1 million. However, "because this is a big election year, they might defer and just have continuing resolution," Harmon says.

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