

Note from the Chapter President



Greetings! It has been about six months now since my inaugural letter as Chapter president and I'd like to start by thanking all of our board members and NDIA members throughout the Delaware Valley for your contributions and dedication to the health and well being of our defense industrial base and the government-industry partnership. Thanks to

your efforts, we were notified in December that NDIA National has selected the Delaware Valley Chapter as a "Model Chapter" for 2013, which is recognition for a job well done while setting a high bar for the new year. I'd also like to give a particular shout-out to our Golf Committee led by Bob Coates of L-3 SPD Electrical Systems, and all the friendly folks at Tavistock Country Club, for making the annual golf outing in August such a tremendous success. Plans are already afoot for the 2014 event (Monday, August 4th at Tavistock ... mark your calendars) and we hope that all our sponsors and competitors will be able to join us again.

As I was gathering my thoughts for this letter, I was trying to figure out how to say a few words about sequestration and the defense budget, matters that concern us all as citizens and defense professionals, without ending the year on a pessimistic note (which is probably why I started out by talking about golf and the model chapter award ...). Even before taking full effect, the across-the-board cuts imposed by the 2011 Budget Control Act caused tremendous disruption to our industry by creating program delays, sending people home on furloughs, and generally adding uncertainty to all aspects of business and program planning.

Fortunately, there are signs of hope on the horizon. The Chairmen of the House and Senate Budget Committees reached an agreement in mid-December that would cut the impact of sequestration on FY 2014 defense budget authority approximately in half, and by

a quarter in FY 2015. I won't even try to go into all the numbers here ... you can read more about it at www.ndia.org ... but as of December 20th the Bipartisan Budget Act had cleared Congress and was on its way to the President for signature along with the FY2014 National Defense Authorization Act. Even in the absence of a "grand bargain", to the extent that this agreement provides some stability to our industry for two years and suggests that bipartisanship is not entirely dead in Congress, we should all be encouraged. Apart from the impact that defense budget uncertainty had on our membership, the chapter itself did not go unscathed. We had hoped to hear more about the budget outlook from Sen. Pat Toomey (R-PA) at our October membership meeting, but needed to postpone his appearance due to the government shutdown; we are now working with the Senator's staff to identify a new date in March which will be announced on our web site and via e-mail when confirmed. Watch this space!

Speaking of upcoming events, I draw your attention to the item later in this newsletter regarding the commissioning of the San Antonio-class LPD USS Somerset, scheduled for March 1st at Penn's Landing in Philadelphia; this promises to be a memorable event for the entire region. And there's more to come as the weather warms up. We are looking at dates for our traditional ROTC/NROTC scholarship luncheon. April will feature IEEE's Spring Activities Conference at Rowan University

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Pentagon Adopts Heightened Cybersecurity Regulations for Defense Contractors

On November 19, 2013, the Pentagon adopted new rules intended to protect data on unclassified networks, which will likely place a significant burden on defense contractors. The amendment to the Defense Federal Acquisition Supplement requires defense contractors to incorporate “established” information security standards across their unclassified networks and to report “cyber-intrusion incidents” that result in the loss of controlled technical information.

The amendment applies to all new Department of Defense (“DOD”) contracts involving non-classified, “technical information.” The Pentagon’s definition of “technical information” broadly includes the research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, technical orders, catalog-item identifications, data sets, studies and analyses and related information, and computer software executable code and source code. Going well beyond the protection of confidential or proprietary information, the breadth of the rule also covers the acquisition or sale of routine commercial items. As a result, all purchases of commercially available, “off-the-shelf” products involving the sharing of technical information fall within the purview of the newly enhanced security requirements.

Aside from adopting a broad definition of “technical information,” the new policy places a significant burden on contractors to report cyber incidents involving “covered data.” Contractors will now be required to report—within 72 hours—the specific

details of any incident involving the actual or potential compromise of covered data. In addition to reporting all incidents to the Defense Industrial Base Cybersecurity Information Assurance Program, contractors must retain all impacted data for 90 days to facilitate the DOD’s damages assessment. The self-reporting requirement should not, however, be misconstrued as a safe harbor. Directly rejecting the notion of a safe harbor, the new rules merely state that the reporting of a cyber incident “shall not, by itself, be interpreted under this clause as evidence that the contractor has failed to provide adequate information safeguards.”

It is estimated the new security requirements will directly impact over 6,555 contractors. But this is only the tip of the proverbial iceberg. The obligation to protect technical information covers all networks in which the data resides or passes through. This means that companies who transmit or receive “technical information” from a covered contractor will be directly or indirectly obligated to ensure the security of the networks through which the technical information will be transmitted or stored. The DOD guidance on this point is very clear; it states that all contractors who receive covered information are obligated to ensure that each recipient of that information has a system with enhanced safeguards. For example, contractors will be obligated to confirm: (1) their subcontractors or suppliers who receive technical

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Save the Date

NDIA Golf Outing, August 4, 2014
Tavistock Country Club • Haddonfield, NJ

Clearly the best and most sought after golf outing in the Philadelphia area! Affordable golf that includes; lunch, unlimited warm-up, 18 holes of spectacular golf, cocktail reception, networking dinner with open bar and prizes too. Last year we sold out, so sign-up early and often.

Proceeds help Philadelphia area STEM initiatives and support ROTC student’s education expenses. Registration to open in January 2014 at www.ndia-dvc.org under the EVENTS tab.



USS Somerset commissioning

“The courage and heroism of the people aboard Flight 93 will never be forgotten and USS Somerset will leave a legacy that will never be forgotten by those wishing to do harm to this country.”

- Secretary of the Navy, Gordon R. England.

The US Navy will commission the USS SOMERSET in Philadelphia at Penns Landing, on 1 March 2014. The commissioning ceremony “brings the ship to life” as she becomes an official ship of the line, assuming her duties in the fleet, protecting the nation.

The naval commissioning ceremony has been a tradition of navies since 1775. It is the most significant event in the life of the ship.

The commissioning is the final event in the triad which brings marks the entrance of a man-of-war into the naval forces of her nation.

The Delaware Valley Chapter of NDIA has been invited to join the Philadelphia Council of the Navy League of the United States in raising funds and supporting the commissioning ceremony at Penns Landing and associated events in the Greater Philadelphia region during the week prior to the commissioning on Saturday, 1 March 2014. The Delaware Valley Chapter of NDIA

is represented on the Commissioning Committee by Directors Jim Donahue and Paul Trenholm. USS Somerset (LPD-25), a San Antonio-class amphibious transport dock, is the fifth ship of the United States Navy of that name; in this case in honor of Somerset County, Pennsylvania, the location of the crash of United Flight 93 as a result of the terrorist



attacks on 11 September 2001. These ships combine 21st century amphibious shipbuilding and warfighting technologies to support current and future Marine Corps aircraft and landing craft, and are capable of taking nearly 1,200 Sailors and Marines into harm’s way. Somerset provides the Navy and Marine Corps the ability to embark, transport and land elements of a Marine Expeditionary Unit and Brigade. She is designed to oper-

ate independently or as part of Amphibious Readiness Groups (ARGs), Expeditionary Strike Groups (ESGs) or Joint Task Forces (JTFs). For more information and details on the commissioning, please go to www.uss-somersetcommissioning.org.

The USS Somerset Commissioning Committee is arranging several fundraising events in which NDIA individual and industry members as well as the general public are invited to participate. NDIA members will be kept informed as the arrangements for these events are finalized.

From the Editor

What do you think of this newsletter? How can it be improved? Do you want your company profiled in a future issue? Would you like to contribute a feature article in a future issue? Send me your feedback and suggestions so that we can improve this publication with each issue.

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From the Editor

Board Member Bio - PAUL TRENHOLM (Derbyshire Machine & Tool Co.)

Through a twenty (20+) year career in the Defense Industry, my experience has ranged from working for one of the Navy's commercial shipyards – Ingalls Shipbuilding, developing a new business within one of the US Defense Primes - Curtiss Wright, to most recently stepping in as owner and President of a Small Business – **Derbyshire Machine & Tool Co.** a manufacturer of Navy valves, strainers, eductors, and fluid control systems in Philadelphia.

BACKGROUND

Focus over the last 15 years has been on the Business Development of Advanced Valve Technologies for Navy Shipbuilding applications to enable cost reduction by reduced manning and maintenance by incorporating higher levels of automation and materials. Scope of responsibilities included:

- International Business Development
- Congressional Outreach
- RDT&E coordination with DoD SBIR (Small Business Innovation Research) firms

PERSONAL

Bachelor of Science Degree
1977, Rider University
Lawrenceville NJ

Married with three children

Memberships include:

- Board of Directors - National Defense Industrial Association (NDIA) Delaware Valley Chapter
- Board of Directors - Philadelphia Ship Preservation Guild – Historic Tall Ship “Gazela”
- Navy League SE Pennsylvania Chapter
- American Society of Naval Engineers
- Marine Machinery Association
- ACIBC & SIBC Aircraft Carrier & Submarine Industrial Base Coalitions

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information are authorized to receive the information; (2) the information is transmitted to the subcontractor/supplier using appropriate security controls; and (3) the subcontractor/supplier safeguards the information in accordance with the new requirements.

Impacting the bottom line of many companies, the DOD's adoption of the new requirements does not include an obligation for the Pentagon to share in the increased costs associated with the new procedures. Responding to questions on this point, the DOD offered its assessment that, while there will be costs associated with implementing the new procedures, “the costs are reasonable.” This assurance may provide little comfort in light of the DOD's statement that “[t]he Government

does not intend to directly pay for the operating costs associated with the rule.”

The new security standards will impact future and ongoing procurements. Contractors should expect to see security compliance language incorporated in mandatory evaluation criteria in future acquisitions, and contractors without compliant systems may become ineligible to bid. The standards will also appear in future certifications. Audits by the DCAA or the DCMA may also begin to include spot checks for security compliance. Last, corporate compliance programs should also be modified to account for this new requirement.

For more information, please contact Brian Gocial at 215-569-5424, or email Gocial@blankrome.com.

Note from the Chapter President (cont...)

on the 5th, a new activity for us, and the Greater Philadelphia SeaPerch Challenge later in the month. (If you're not familiar with it, I encourage you to learn more about the SeaPerch program at www.phillyseaperch.org.) And we've got a couple of other things in the hopper that aren't ready for prime time quite yet.

I'm writing this in December for a newsletter that will

come out in January, so with any luck by the time you read this we'll have a signed budget agreement and the Eagles will still be playing football. As I've said before, many thanks for your support to your regional NDIA chapter. Have a great 2014, and please keep an eye on our web site, www.ndia-dvc.org, for news on chapter activities and upcoming events.

Juan Peñalver
Lockheed Martin MST

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www.ndia-dvc.org/corplinks.htm