



Safe in the knowledge

Aviation & Government

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August 22, 2018

Lacy Parson
Department of Administration Services
Procurement Division
Email: Lacy.Parson@milwaukeecountywi.gov

SUBJECT: Unarmed Security Officer Services at General Mitchell International Airport

Dear Lacy,

HSS understands the importance Milwaukee County and General Mitchell International Airport (GMIA) place on the selection of the security firm who can demonstrate a high level of training, and specialized service based on the specific needs of GMIA.

We believe our specialized approach, credentials, and reputation clearly demonstrate our focus on the key points of the RFP and allow HSS to consistently deliver our high quality of service that will meet the needs set forth by Milwaukee County and GMIA. Our approach is based on uniformity across ten (10) airports currently serviced by HSS and is the blue-ribbon standard in security officer services. HSS is proud of its 90% customer retention rate!

HSS plans to implement a team which brings a blend of aviation and security experience, industry knowledge, and a business plan specific to the airport that will ensure the airport's security officer requirements are met in the most effective manner consistent with our high-level industry standards.

Our proposed solution includes:

- An Administrative Program Manager
- 24/7 coverage by a highly-trained management team to ensure all the security needs of GMIA are met in a timely and efficient manner.
- Pro-active recruiting –our management staff stays one step ahead of staffing needs by beginning the recruitment, hiring, and training of new security officers in advance and incorporates them into the workforce to ensure coverage of all posts and any future specials with qualified security officers.
- A comprehensive employee retention strategy.

HSS looks forward to working with Milwaukee County and GMIA and is available to clarify or answer any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tony W. York'.

Tony W. York
Chief Executive Officer



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EXECUTIVE SUMMARY

1. EXECUTIVE SUMMARY

1. PROVIDE AN EXECUTIVE SUMMARY THAT DESCRIBES YOUR ORGANIZATION'S PROPOSED SOLUTION, CORE COMPETENCIES, BUSINESS APPROACH, MISSION, VISION, AND GOALS, AND INDICATE WHAT DIFFERENTIATES YOUR ORGANIZATION FROM YOUR COMPETITORS.

OVERVIEW OF QUALIFICATIONS

HSS PROVIDES SPECIALIZED SECURITY OFFICERS

What differentiates HSS from the rest is that HSS will provide you immediately with:

- Leadership that has decades of aviation experience
- Aviation security management expertise
- Customer focused approach
- Certificate of SAFETY Act Developmental Testing and Evaluation Designation from the Department of Homeland Security
- Security officers trained specifically in airport security
- Ongoing corporate support

No other security company can offer the level of management expertise and experience in aviation security as HSS.

THE FOREMOST PROVIDER OF SECURITY FOR AIRPORTS

HSS has become one of the largest and foremost providers in the U.S. specializing in airport security.

HSS currently provides security services to 10 airport clients, including the nation's busiest U.S. airport ATL as well as DEN, which is the largest geographically. Additionally, HSS is the provider of security services to IAD, MKE, MCO, OAK, PDX, PHX, SAN, and SLC.

HSS is one of the largest contractors for airport security in the United States with 10 airport clients and over 20 years' experience in providing security officer services to CAT X and CAT I airports.

AVIATION INDUSTRY INVOLVEMENT

HSS Inc. is a member of several national and regional organizations that are directly related to aviation and airport security operations, including Airports Council International – North America (ACI-NA) and the American Association of Airport Executives (AAAE). HSS is not just a 'registered member' of these organizations but actively participates in training and security meetings to ensure that we are always receiving the most up-to-date information and keeping up with best practices from across the nation.

In 2010, HSS in partnership with AAAE, was the first aviation security corporation to sponsor the AAAE ACE Aviation Security Certification training and co-sponsored with Denver International Airport again in 2016.



HSS has developed a robust Aviation-Specific Training Program which all security officers assigned to General Mitchell International Airport (GMIA) must successfully complete prior to deployment. Our classroom instruction is followed by competency testing to ensure that the knowledge is retained. The training material is reviewed and revised often to ensure that well-qualified personnel are provided to help support your Airport Security Program.

Our HSS Aviation Services team includes consultants Jeff Price and Lori Beckman. Both are nationally recognized experts in aviation security and have lectured and/or been consulted by many airports and organizations throughout the U.S.

Mr. Price, an Associate Professor of Aviation at Metropolitan State University, has lectured on Aviation Security across the U.S. and has written the only textbook on Aviation Security. Ms. Beckman spent more than 15 years managing airport security operations for Denver International Airport and is now a highly-regarded aviation security consultant.

MISSION, VISION AND GOALS

Everything we do at HSS is guided by our Mission, Core Values, and Vision. Beyond specific education and job

HSS AVIATION SERVICES MANAGEMENT TEAM IS COMPRISED OF PROFESSIONALS WITH EXTENSIVE EXPERIENCE IN AVIATION SECURITY.

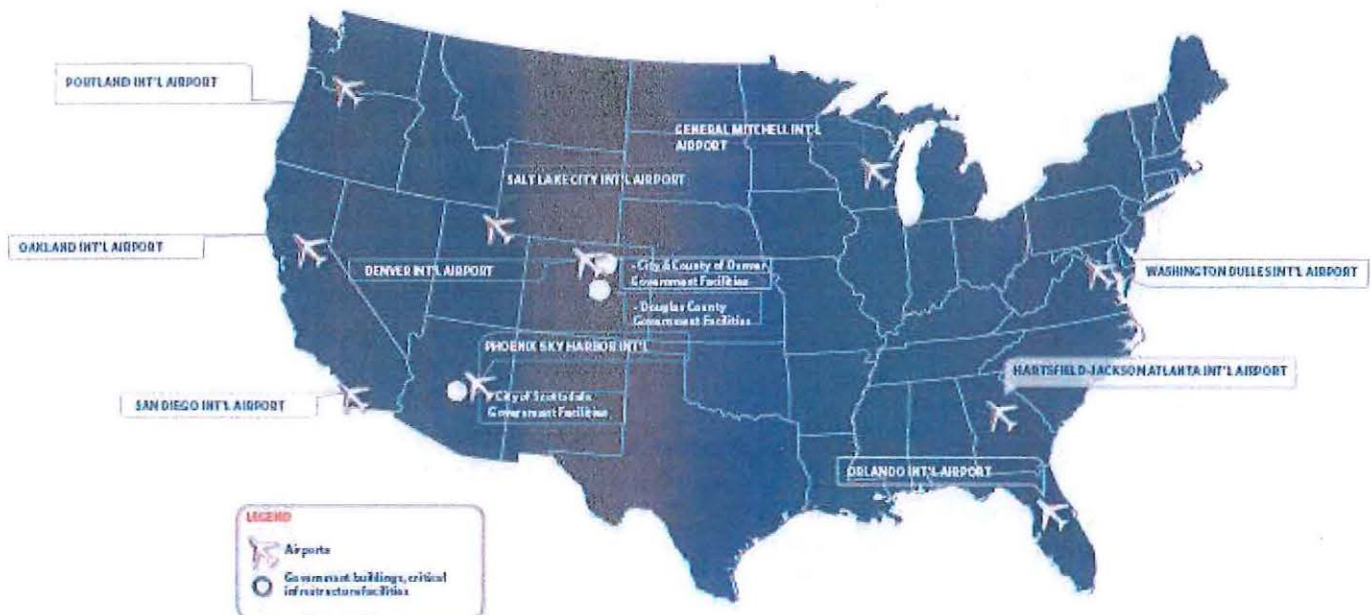
They are also experienced with 49 CFR Part 1542 and Part 139, and include members of industry leading management teams from large Category X airports, airlines, state and federal law enforcement agencies. HSS is an active participant in the American Association of Airport Executives (AAAE), Airports Council International - North America (ACI-NA) and ASIS International.



training, every HSS employee is versed to do his or her job in accordance with these principles.

MISSION STATEMENT

Provide personalized, technical, and professional service programs to enhance the value of our customers' business.



**CORE VALUES**

- Always make things right for our customer
- Be an ambassador for each customer
- Be integrated into our customers' culture
- Conduct all business with honesty and integrity as individuals and as an organization
- Create innovative approaches to deliver total solutions for customers
- Maintain a reputation for service excellence and program quality
- Value our employees and their contribution to HSS and to our customers

VISION

To be the best choice for the customer because we create world class customer service.

DIFFERENTIATING FACTORS

HSS' emphasis on customer service delivery and its focused aviation-specific approach result in our continually increasing expertise in this industry. Our leaders remain current with industry trends and seek to improve airport security by finding ways to maximize the use of technology and analytics of the data collected.

We offer an environment of respect and trust to our employees to attract and retain quality personnel who understand the importance of the job they do in keeping all airport patrons safe.

We offer airport-specific training to all new security officers as well as on-going training as described in response to # 1 (page 8). Our training is reviewed and based on recommendations from industry experts.

HSS PROVIDES COMPLETE SECURITY AND PHYSICAL ACCESS CONTROL SOLUTIONS**HSS SERVICES**

- Security for Secured and Security Identification Display Areas (SIDA)
- Passenger Screening Checkpoint Line Management, Document Checks and Divesting
- Securing access and egress points; enforce Stop Lists
- Escorts
- Terminal and Perimeter Control
- Vendor vehicle and concession goods inspections
- Exterior vehicle gate operations
- On-call Services / Contingency Staffing
- Employee Inspections
- Employee Screening
- Exit Lane security
- Vehicle traffic control and parking enforcement
- Curbside traffic control
- Video and access alarm monitoring

We competency every security officer to ensure they completely understand their post orders and Supervisors continually inspect posts for compliance. Key Performance Metrics (KPIs) are implemented to track how we are meeting contract objectives. Our corporate office continues to provide support by implementing process improvements, supplemented by new technologies, such as biometric time keeping.



HISTORY AND CURRENT OPERATIONS

2. DESCRIBE THE HISTORY OF YOUR ORGANIZATION AND CURRENT OPERATIONS.

2. BRIEF HISTORY AND CURRENT OPERATIONS

A BRIEF HISTORY OF HSS

HSS Inc. is a privately-held corporation that has been providing professional security services for nearly 50 years! Incorporated in the State of Colorado in 1967, our home office is located at 990 South Broadway, Suite 100 in Denver, CO. All shareholders are customer hospitals and the Board of Directors is made up primarily of active hospital administrators and aviation industry experts. Aviation security has been one of our core business offerings and we have more than 20 years' experience providing security services under Title 49 of the Code of Federal Regulations (CFR) Part 1542 at Category X and Category I airports. Our team of over 4,000 security personnel serve airport, government and hospital clients in twenty states and we have regional support offices located in Glendale, CA; Dublin, CA; Austin, TX and Richmond, VA.

PROJECT EXPERIENCE AND PERFORMANCE

HSS is one of the largest contractors for airport security in the United States with 10 airport clients and over 20 years' experience in providing security officer services to CAT X and CAT I airports.

Following are descriptions of current aviation contracts.

CURRENT AIRPORT OPERATIONS AT 49 CFR, PART 1542 REGULATED AIRPORTS

MILWAUKEE GENERAL MITCHELL INTERNATIONAL AIRPORT

Term of Contract: 2009- 2018

Value: \$680,000 annually

The staffing for this contract requires more than 30 employees (including sub-contractors) and approximately 673 hours per week. HSS is the primary contract security provider for General Mitchell International Airport (MKE) and provides the following regulatory and customer service-related services:

- Access-control alarm response;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas.



DENVER INTERNATIONAL AIRPORT

Term of Contract: 1995 - 2024**Value:** \$14 million annually

The staffing for this contract requires more than 350 employees and approximately 12,000 hours per week.

Since 1995, HSS has provided a variety of regulatory (and customer service-related) security services at Denver International Airport (DEN), including:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas;
- Issuance of Airport Security Violation Notices;
- Fingerprint collection and assistance in DEN's Badging and Permitting offices;
- Staffing of the Airport Operations Building (AOB) reception area and issuance of Visitor Badges;
- Staffing of TSA Security Screening Checkpoint Exit lanes;
- Traffic and curbside control on the terminal arrival lanes;
- Active involvement with the airport's Training & Exercise Design Team in the development of airport-wide exercises (e.g., active shooter, security breach) and participation in the same;
- Active involvement during activation of the airport's Emergency Operations Center (EOC) during declared emergencies and incidents;
- Active involvement in crowd control situations on the landside (e.g., protests in the terminal) or airside incidents (e.g., diverted aircraft, ramp vehicle accidents); and,
- Queue Management assistance for TSA Security Screening lines, diverting and line balancing between the three checkpoints, and divestiture/re-composure help for passengers going through the screening process.

Additionally, HSS has provided increased security personnel on very short notice to meet airport contingency requirements.

HARTSFIELD-JACKSON ATLANTA INTERNATIONAL AIRPORT

Term of Contract: 2011- 2022**Value:** \$12 million annually

The staffing for this contract require more than 305 employees (including sub-contractors) and approximately 11,000 hours per week. HSS is the primary contract security provider for Hartsfield-Jackson Atlanta International Airport (ATL) and provides the following regulatory and customer service-related services:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas;
- Employee screening at designated locations (which involves the use of x-ray, walk through and hand-held metal detectors).

HSS has been called upon by ATL to increase the number of posts at this largest of US airports on a number of occasions since beginning this contract in 2011.

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

Term of Contract: 2012 -2018**Value:** \$1.5 million annually

The staffing for this contract requires more than 85 employees and approximately 1,400 hours per week. HSS is one of two contract security providers for Phoenix Sky Harbor International Airport (PHX) focused primarily on outside posts and provides the following regulatory and customer service-related services:



- Access-control alarm response;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Public parking lot mobile patrols and public assistance with vehicle lockouts, etc.; and,
- Employee inspections at various entrances throughout the Secured and Sterile Areas.

Additionally, when the other contract security provider was unable to staff certain shifts due to increased TSA Security Screening checkpoint wait times in 2016, HSS was asked to step in and aid PHX with Queue Management assistance.

PORTLAND INTERNATIONAL AIRPORT

Term of Contract: 2009 - 2019

Value: \$1.2 million annually

The staffing for this contract requires more than 80 employees (including a sub-contractor) and approximately 1,400 hours per week. HSS is the sole security provider of security services for Portland International Airport (PDX) and provides the following regulatory and customer service-related services:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Federal Inspection Services (FIS) facility security;
- Employee inspections at various entrances throughout the Secured and Sterile Areas; and,
- Queue Management assistance for TSA Security Screening lines.

SALT LAKE CITY INTERNATIONAL AIRPORT

Term of Contract: 2011 - 2022

Value: \$915,000 annually

The staffing for this contract requires more than 40 employees and approximately 1,000 hours per week.

HSS was initially awarded the security contract services at Salt Lake City International Airport (SLC) in 2011 and re-won the contract in 2016. The following regulatory and customer-related services are provided at SLC:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas; and,
- A separate contract with Delta Airlines providing catering seal inspection service.

SAN DIEGO INTERNATIONAL AIRPORT

Term of Contract: 2010 - 2018

Value: \$2.8 million annually

The staffing for this contract entails approximately 90 employees (including a sub-contractor) and approximately 3,500 hours per week. HSS is the primary provider for security services for San Diego International Airport (SAN) and provides the following regulatory and customer-related services:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas; and,



- Staffs and is responsible for all activities in the SAN Airport Security Operations Center (SOC) which includes monitoring the airport's access control system and closed-circuit television system (CCTV).

WASHINGTON DULLES INTERNATIONAL AIRPORT

Term of Contract: 2016 - 2019**Value: \$4.3 million annually**

The staffing for this contract entails more than 100 employees (including a sub-contractor) and approximately 2,500 hours per week. HSS was awarded the security guard services contract at IAD in late 2016 (as well as a separate contract for security at the Dulles Toll Road Administration Building). As the primary security provider for IAD, the following regulatory and customer-related services are provided:

- Access-control alarm response;
- Foot patrols of terminal and concourse facilities;
- Perimeter fence mobile patrols and vehicle escorts;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Employee inspections at various entrances throughout the Secured and Sterile Areas; and,
- Staffing of TSA Security Screening Checkpoint Exit lanes.

OAKLAND INTERNATIONAL AIRPORT

Term of Contract: 2015 - 2019**Value: \$1.35 million annually**

The staffing for this contract requires approximately 45 employees and 1,100+ hours per week. HSS is the sole security provider of security services for Oakland International Airport (OAK) and provides the following regulatory and customer service-related services:

- Screening of employees entering through Concession portals;
- Customer Assistance in the Federal Inspection Services (FIS);
- Escorts Duties;
- Perimeter gate guard staffing and vehicle inspections;
- Vendor and concession product inspections;
- Traffic Control Duties;
- Badge Inspections;
- Queue Management assistance for TSA Security Screening lines.



PROPOSER REQUIREMENTS

1. PROVIDE WRITTEN DOCUMENTATION OF MANAGEMENT AND SECURITY OFFICER TRAINING PROGRAMS.

1. TRAINING PLAN

HSS is proud to offer aviation-specific training that prepares aviation security officers for their roles in an airport environment.

Through our years of experience, we have learned that many new employees have minimal understanding of the crucial role the aviation security officer plays when it comes to protecting our nation's airports and the flying public. They believe the job is like any other security guard job, similar to protecting an office building, grocery store, shopping mall, or construction site.

For that reason, we begin our training curriculum with an exercise that requires each new employee to describe their perception of the role of an aviation security officer. During classroom training, instructors guide new

employees through our comprehensive aviation security officer training program. Students are tested at the end of each training module to ensure they understand what they have just learned. At the end of formal classroom training, we repeat the original exercise to ensure all security officers clearly comprehend the crucial role and responsibility they are embarking on as an HSS aviation security officer. After an HSS security officer completes the initial training and has successfully held post for a period of time, they are brought back for additional classroom training that focuses on terrorism awareness and behavioral recognition. HSS has found that this training is more effective after the security officer feels competent on the basic duties of the post.

VERIFICATION OF TRAINING

HSS utilizes its competency task training program to ensure personnel fully comprehend their training, understand their duties, and are able to demonstrate

DEFINITION OF AN HSS AVIATION SECURITY OFFICER

"An individual who understands the delicate balance between providing excellent customer service while delivering a higher level of security protection at airports across the nation. A person who comprehends his or her personal role in protecting the traveling public and considerable assets of the airport, airlines and other tenants. An aviation security professional with aviation-specific training that has the ability, knowledge and desire to deliver world class customer service while protecting our nation's airports from acts of criminal mischief, violent crime, and terrorism."



competency in the performance of their duties. New employees will be competency tested after training and prior to standing post; no employee will be allowed to stand post until competency to HSS' quality standards is demonstrated. HSS' competency-based methodology ensures that security officers know and understand their roles and responsibilities.

Supervisors meet with employees daily and conduct impromptu post order competency testing. If security officers do not pass the competency test, immediate retraining is performed on-site and the material is reviewed until thoroughly understood. While making their site visits, supervisors clarify any questions, resolve concerns, conduct uniform inspections, and evaluate job performance.

INDUSTRY TRAINING PROVIDED

AIRPORT SECURITY TRAINING

HSS will provide all employees with Airport Security training tailored specifically to GMIA. This module teaches security officers information specific to the governing structure of airport security including the TSA, Airport Security, and the role private security plays in the overall mission to protect employees, passengers, and assets from illegal activities, including acts of terrorism and insider threat. Security officers are taught on a high-level, need-to-know basis, aspects of Sensitive Security Information, the Airport Security Program and how it is administered as well as expectations of private security as it relates to TSA-issued Security Directives and Information Circulars.

HSS' DE-ESCALATION TRAINING TECHNIQUE (DTT)

HSS understands the unique dynamics of providing security services to facilities that serve the general public and the need to successfully de-escalate and manage aggressive and violent behavior. In response to this experience, HSS has developed the DTT program which is designed to help our security officers learn to successfully control aggressive verbal or physical situations. In addition, the program focuses on the physiological impacts that emotions play in the process of de-

escalation and how to manage their own emotional state. Listening skills and conflict resolution options are keys to the success of our staff in effectively resolving conflict.

TERRORISM AWARENESS TRAINING

HSS provides Terrorism Awareness training that provides a thorough background in the history of terrorism, defining what a terrorist is, terrorist goals and characteristics, methods of attack, and surveillance indicators. Security officers participate in hands-on exercises to refine the information and skills presented and complete the course with a quiz.

BEHAVIORAL RECOGNITION TRAINING

HSS provides a Behavioral Recognition training course that instructs the security officers in behavioral analysis concepts, theory and application, environmental baseline concepts and applications, and discussion of operational techniques. This course focuses on understanding the environmental baseline at an airport and behaviors that people cannot hide; this program does not teach any form of racial profiling. Security officers participate in hands-on exercises to refine their observation skills and complete the course with a quiz.

Because HSS is very sensitive to the insider threat concerns at airports all HSS employees will be competency tested on a quarterly basis to ensure that they have retained the techniques for understanding baseline and escalated behaviors. Security officers are trained to contact a Supervisor should they have concerns that should be further evaluated.

ADVANCED SUPERVISOR/MANAGER COURSE DESCRIPTIONS

Supervisors receive specialized training and leadership development throughout their career with HSS. New supervisors attend a special 8-hour Fundamentals of Supervision course to explain the policies and procedures of HSS and to prepare them for common scenarios encountered in a supervisory role. In addition, supervisors attend level 100 and 200 courses through HSS' Institute for Leadership, Education, Advancement, and Development (iLEAD) Training Program.

**NEW SECURITY OFFICER ORIENTATION****4 HOURS****MISSION, VISION AND VALUES:**

- HSS specific responsibilities
- Entity, Site, and Airport specific responsibilities

CUSTOMER SERVICE/PUBLIC RELATIONS:

- Courteous enforcement
- Greetings
- Public perceptions
- Professionalism and Appearance
- Alertness
- Confidentiality
- Customer Service
- Americans with Disabilities Act (ADA) Training
- Interactions with handicapped individuals
- Accident Prevention

EMPLOYMENT GUIDELINES:

- Work Schedules/Reporting for duty
- Uniform care, wear and inspections
- Grooming standards
- Post assignment
- Telephone usage
- Time records
- Attendance Policy
- Sexual harassment/Anti-harassment policies
- Fundamental security rules
- Diversity in the workplace
- Conduct on duty
- Disciplinary procedures/policies
- Ethics
- Record keeping
- Legal issues and liabilities

BASIC SECURITY DUTIES:

- Observation techniques
- Use of force
- Patrolling techniques
- Vendor inspections
- Police notifications, contacts and relations
- Access control
- Traffic Control Training
- Crime prevention and recognition
- Telephone and radio etiquette
- Escort Procedures
- Alarm Response
- Enforcement of policies and procedures
- Fire Safety: detection, control and response, use of fire extinguisher
- Safety - exposure to weather
- Airport Contingency Plans
- Site-specific needs of each airport client
- Evacuation procedures
 - Universal precautions
 - Injuries and Basic First Aid
 - Fire and electric safety
 - Hazardous materials/communications
 - Blood borne pathogens
 - Internal/external disasters
 - Ingress/Egress points
 - Vehicle and pedestrian traffic control
 - Vehicle permits, inspections, checkpoints

HSS-SPECIFIC REPORT WRITING:

- Daily Activity Reports
- Security Condition Reports
- Pass-on logs
- Practical Exercise

**AVIATION-SPECIFIC SECURITY TRAINING**

AVSEC 101**2 HOURS**

- Governing Structure of the Airport
- Department of Homeland Security (DHS)
- Transportation Security Administration (TSA)
- Airport Security
 - Airport Security Program (ASP)
 - Airport security badging regulations
 - SIDA badge familiarization, ID requirements, and identification procedures
- Law Enforcement
- FBI/ICE/DEA
- Key Government Leaders in the Airport
 - Names, titles and job functions
- Role of Private Security in airport
 - Partnering Expectations
- Sensitive Security Information (SSI) Protocol

TERRORISM AWARENESS**2 HOURS**

- History of Terrorism
- What is a Terrorist Group
- Goals of Terrorism
- Characteristics of "New Terrorism"
- Methods of Attack
- Terrorist Attack Cycle
- Surveillance and Intrusion Indicators
- Observation Exercises

BEHAVIORAL RECOGNITION**2 HOURS**

- Behavioral Observation
- Behavioral Theory
- Types of Threats
- Environmental Baseline
- Interview Techniques
- Resolution
- Observation Exercises

SUPPLEMENTAL TRAINING

DE-ESCALATION TECHNIQUE TRAINING**2 HOURS**

- Human behavior
- Emotional and physiological stresses
- Workplace violence prevention
- Verbal de-escalation techniques
- Verbal judo
- Escorts
- Controls
- After event requirements

SUPERVISED ON-THE-JOB POST TRAINING

ON-THE-JOB POST TRAINING**16 HOURS**

- Security Operations
- Facility Operations
- Customer Service
- HSS-provided Training Guidelines
- Competency Task Testing
- Specific Post Training
 - SIDA Training
 - AOA Driving (if required)
 - Gate Guard Duties
 - Vehicle Inspection Procedures
- Employee Screening Techniques



The focus of iLEAD is to continually develop employees so they can succeed and excel – in their job, in their career aspirations, and in enabling others to succeed. This “ripple effect” includes co-workers and customers.

AAAE AIRPORT CERTIFIED EMPLOYEE (ACE) TRAINING

Every HSS Program Manager is required to obtain the American Association of Airport Executives (AAAE) ACE - Security certification within one year of their assignment. This certification provides our leaders with an increased level of awareness and understanding as it relates to airport security and allows better decisions and

judgment when assessing hazards and risks at the airport. Employees who achieve ACE certification have received focused instruction on the current operating practices of 49 Code of Federal Regulations (CFR) Parts 1500, 1520, 1540, 1542, 1544, 1546, 1548, and 1550.

ON-GOING TRAINING

Continuous training and learning within HSS allows for our team to continue to raise the bar in our performance levels. Supervisors continue polishing their skill sets by completing prescribed online coursework in the iLEAD Program. HSS continues to mentor these leaders as they progress.

SUPERVISORY TRAINING

INTRODUCTION TO SUPERVISION

8 HOURS

Overview
Leadership and Liability Issues
HR Fundamentals
Performance Management
Worker's Compensation/Injury Investigations
Leaves of Absences
Disciplinary process

ILEAD - PEOPLE LEADING OTHERS (COMPUTER BASED TRAINING)

18 HOURS

Building Relationships
Business Ethics
Communicating with Power
Complying with ADA Requirements
Customer Service
Leading Teams
Managing Within the Law
Motivation
Sexual Harassment in the Workplace
Teams That Work

ILEAD - PEOPLE LEADING OTHERS (INSTRUCTOR LEAD TRAINING)

16 HOURS

Transitioning Into a Leadership Role
Establishing Trust and Productive Relationships
Key Components of Team Leadership
Effective Communications
Managing Team Performance
Delivering Customer Excellence
Issue/Conflict Resolution
Motivating Others
Leaders Teaching Leaders
Ongoing Self-Development



2. PROVIDE WRITTEN DOCUMENTATION OF DEPARTMENT OF HOMELAND SECURITY SAFETY ACT DESIGNATION AND CERTIFICATION.

2. SAFETY ACT

HSS and its Aviation and Government Security Services Division were recently awarded a Certificate of SAFETY Act Developmental Testing and Evaluation Designation from the Department of Homeland Security. Included in this Technology are all or part of the following components:

Security Management Consulting: This provides the planning of overall security programs, deployment at a facility, including recommendations for incorporating security technologies for a facility such as X-ray machines, hand wands, and access control systems, card readers, and screening equipment. Guidance regarding program organization, functions and activities, staffing and deployment, communications systems, facility policies and procedures, and placement of physical and electronics systems also is provided.

Security Program Management: This includes management of a client's overall security operation, security guard program management, operation of a 24-hour operations support center using an integrated telecommunications and radio communications system, and comprehensive internal database management.

Security Officer Operations: This includes the provision of armed and unarmed Security Officer services, which may incorporate some or all of the following: stationary and mobilized access and facility patrol; perimeter and vehicle patrol; monitoring electronic surveillance and detection equipment, including closed-circuit television and/or other remote sensing technologies; access control; perimeter control; operation of security screening equipment, including Advanced Imaging Technology scanners, hand-held portable explosive detection devices, hand-held metal detectors, X-ray machines, and walk-through metal detectors; alarm response; and emergency response services for rapid deployment of these security forces under regular and emergency conditions.

The Technology also includes recruitment, selection, and training of qualified personnel who perform the above-described services.

This Developmental Testing and Evaluation Designation does not apply to or provide coverage for:

- (1) Acts of Terrorism in response to chemical, biological, radiological, or nuclear events; and
- (2) The deployment of TSA Playbook and Insider Threats Program.

Further details can be found in the Additional Information section.

3. PROVIDE ALL LABOR, TRAINING, AND EQUIPMENT AS SPECIFIED IN THIS RFP.

3. LABOR, TRAINING, AND EQUIPMENT

KEY PERSONNEL

The success we will deliver is a direct result of the experienced, dedicated team of aviation security professionals. Our goal is to provide excellence in service and deliver a high return on your security investment.

Our team is led by *Vice President of the Aviation and Government Services Division (AGS), Larry McNeill*. As the VP of Aviation and Government Services, Mr. McNeill is accountable for results, division P&L, operational performance, and leadership and development of 1,500 security officers protecting what they are entrusted to protect; airports, critical infrastructures, and government facilities.

Mr. McNeill has more than 20 years of accomplishments as a seasoned Fortune 100 and Fortune 500 aerospace and defense business leader and has delivered reliable global security solutions to government, military, and commercial customers in 23 countries.

Prior to HSS, as an Executive Program Manager he led the execution of a high visibility, global, strategic aviation and international security business unit with P&L accountability for \$266M in program value at L-3 Technologies.

For more than 20 years at Lockheed Martin and L-3 Technologies he led highly technical teams directly supporting national security, mission critical programs



and real-world combat support operations spanning diverse domains; aviation security, international security, aviation MRO/CLS, cyber security, and missile defense.

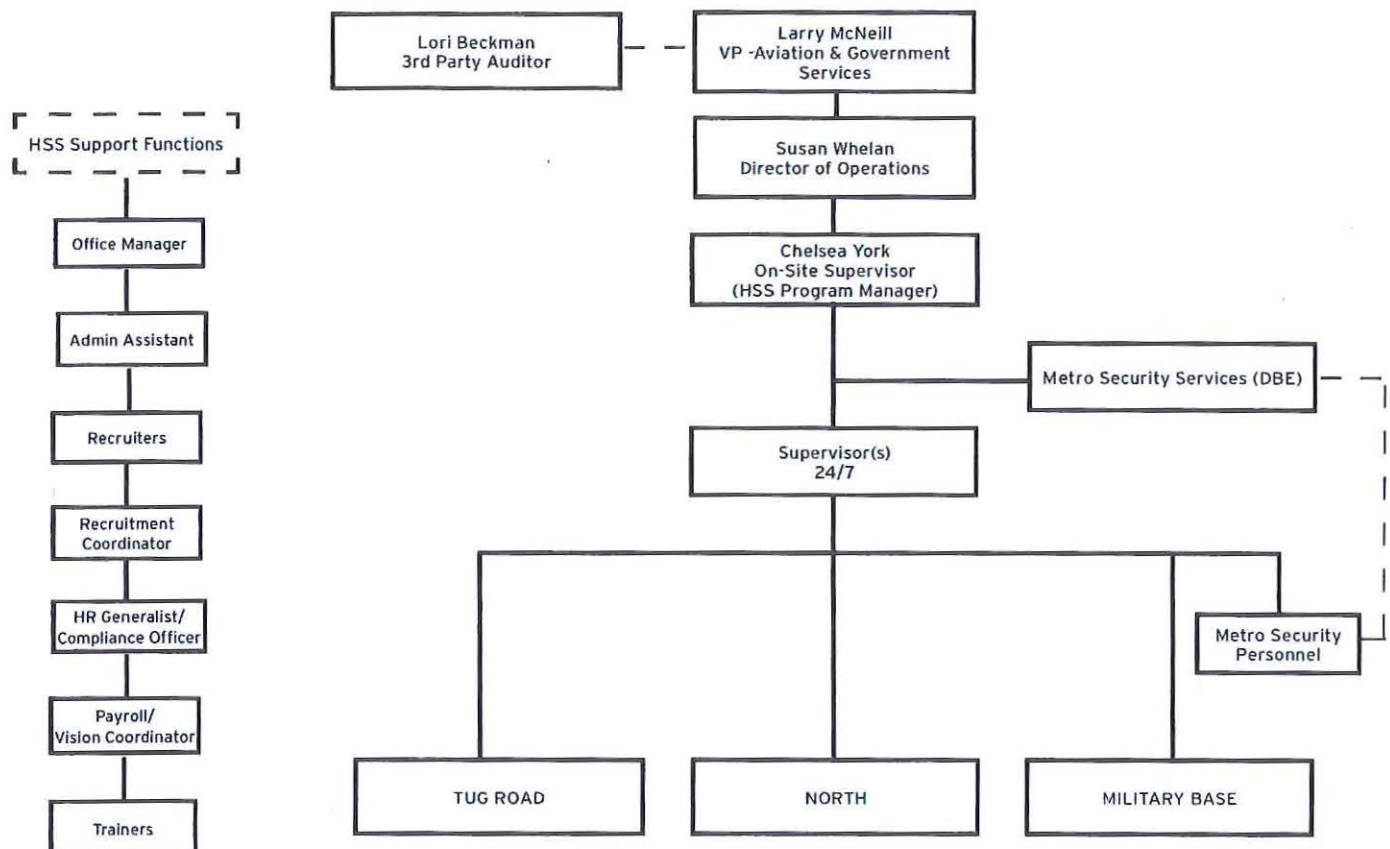
Mr. McNeill has directly led a diverse workforce of up to 1,400+ headcount and been responsible for sustaining up to 80+ military and commercial aircraft, including an international Head-of-State VVIP fleet and special mission aircraft fleets. He has managed numerous sites and aviation security personnel worldwide at globally dispersed hazardous and hardship locations; to include personnel serving in force protection detachments, tactical assistance teams, operational intelligence teams, sensitive compartmented information facilities (SCIFs), and state-of-the-art Protection Level 1 strategic weapon facilities. Mr. McNeill stood up and implemented a corporate-wide Insider Threat Program in L-3 Technologies in compliance with DoD Directive 5205.16 and Executive Order (EO) #13587 and supported resulting sensitive corporate investigations in the U.S. and abroad.

Mr. McNeill is a trusted "High Stakes" program recovery expert: (1) recovered a high profile, mandated national defense capability to defend the homeland and allies, and (2) recovered a \$297M military flight operations program transition under 14 CFR Part 39 governance (450+ operations staff, 205 military aircraft, 300+ pilots, and 400,000 takeoffs/landings per year). Mr. McNeill is certified through AAAE as an ACE and ASC.

Susan Whelan, Aviation and Government Services Director of Operations will provide contract compliance oversight and will act as the primary corporate contact and liaison to the Program Manager.

An avid aviation enthusiast, Susan Whelan has spent her entire career working in some way, shape, or form around airplanes and airports. Ms. Whelan has worked in airport operations for over 11 years, having served as Manager of Terminal and Landside Operations at Baltimore-Washington Thurgood Marshall Airport (BWI)

ORGANIZATIONAL CHART





for more than 10 years just prior to joining HSS two years ago. Ms. Whelan is a well-established manager adept at supporting both small and large teams to accomplish increased customer service delivery and employee performance and morale.

Ms. Whelan is certified through AAEE as a Certified Member and ACE. She has a BS in Technical Management and is expecting to complete her Masters in Human Security and Resilience in 2019.

CORPORATE SUPPORT

HSS has demonstrated an unrelenting commitment to our airport security manager and airport clients. HSS maintains daily contact with each manager and meets regularly with each client. Internal audits are conducted regularly, and third-party audits are completed annually to ensure the program manager and employees assigned to you are receiving the support they need. Response to issues and questions are just a phone call or email away. Members of our corporate support team include those from Human Resources, IT Services, Training, Technology Integration, Legal and Compliance.

ON SITE MANAGEMENT AND SUPERVISION

PROGRAM MANAGER

The HSS Management Team possess vast experience in the aviation industry and the individuals that we select to run our ground operations will be active managers with aviation security experience. HSS also understands the expertise that incumbent Managers and Supervisors may possess and always considers retaining them when taking over a new contract, providing they meet HSS requirements.

HSS plans to continue supporting the existing Program Manager, Chelsea York. GMIA can be assured that Ms. York is well-qualified and meets the requirements of this position as well as HSS' job description provided in the Additional Information Section. Ms. York is ACE Certified through AAEE and is scheduled to complete her CPP through ASIS in 2019.

ADMINISTRATIVE SUPPORT

HSS has provided a working supervisor the opportunity to serve as HSS' primary trainer. Mr. Jones has been conducting the training of personnel for 20 hours a week. He remains an active supervisor when not assisting in an administrative capacity.

SECURITY SUPERVISORS

In addition to passing the stringent HSS employee screening process, supervisors must be at least 21 years of age, possess a valid driver's license and have at least two (2) years of progressively responsible experience in security, military or law enforcement operations. Preference is given to those with degrees.

HSS Supervisors are trained specifically for the aviation security environment including: Terrorism Awareness, Emergency Response, and Behavioral Recognition.

Supervisors receive specialized training and leadership development throughout their career with HSS. All new supervisors attend a special 8-hour Supervision course to explain the policies and procedures of HSS and to prepare them for common scenarios encountered in a supervisory role.

DBE PARTICIPATION

HSS will commit up to 17% of the annual contract revenue to locally recognized Disadvantaged Business Enterprises (DBE), Metro Security Services, LLC. The existing partnership with Metro Security Services, LLC has been ongoing since 2015. However, our relationship with owner, Ms. Washington goes back to 2009 when Ms. Washington worked as a trained HSS Security Supervisor prior to starting her own business.

In addition, HSS has a partnership with a WBE, Aviation Security Consulting (ASC) which is certified by the State of Wisconsin. ASC conducts the annual third-party audits for HSS, consulting on security process improvements, development of Post Orders and competency tests, and training best practices and updates. The President of ASC, Lori Beckman, is a nationally recognized expert in airport security.



HSS is aware of the fact that some small businesses operate on tight budgets and may not be as able to spend money before generating revenue. In partnership with our subcontractors, we have identified and offered initiatives to assist our vendors. In addition to mentoring and assisting with meeting operational requirements the following best practices are currently implemented and in-use by several of our small business enterprise subcontractors:

- Providing the first issuance of uniforms (5 sets) to contractor as base inventory at no charge.
- Providing HSS training at no charge.
- Offering a "Quick Pay" invoicing process whereby subcontractors receive payment electronically within three (3) business days of receipt of their invoice.

LOCAL OFFICE

HSS maintains an office at 300 E. College Avenue, Bldg. #203, Milwaukee, WI 53207. Having an office onsite has allowed us to respond expeditiously to the Airports requests. The office is open during normal business hours with the supervisors on-site. The Program Manager typically works Monday-Friday, with planned variability to observe all shifts and communicate with all personnel.

STAFF CARRYOVER

As the incumbent security provider, HSS is able to retain all of the existing personnel, many of which have been on the account since HSS began providing services to Milwaukee in 2009.

PERSONNEL RECRUITMENT AND SCREENING

HSS utilizes a Recruiting Process Outsourcing partner to facilitate our recruiting efforts. Our partner, Seven-Step, with its nationwide recruitment team, assists HSS with the planning, selection, and continued refinement of recruiting processes to allow HSS to identify, select, and hire the right candidates to meet our clients' security needs. Ongoing evaluation, refinement, and attention to

our recruitment strategies, new employee onboarding, and brand promotional activities continue to strengthen our candidate pool and new employee experience.

HSS employs a variety of recruiting strategies. Job board postings such as CareerBuilder, Indeed, ZipRecruiter, RecruitMilitary, Monster, and other avenues are continuously utilized. We also have partnerships with veteran organizations and local workforce agencies and continue to cultivate partnerships with local community organizations to engage in grassroots recruiting. We use local area and national advertising to develop quality candidate pools within our client locations. Branding, marketing initiatives and current client references add credence to the reputation HSS has established as a premier leader in healthcare security. This reputation allows HSS to attract those candidates who are actively pursuing work opportunities as well as attracting employed candidates who desire the opportunity to join the HSS Team.

HSS uses a hiring and selection process that focuses on ensuring we have hired the right team member. HSS recruits people who have an interest in and aptitude for providing courteous enforcement and understand the importance of customer service when serving as a security officer.

HSS is focused on making our company a great workplace for its employees. We understand the importance of retaining the high-quality employees we attract and train. We offer a competitive wage and compensation package, career development opportunities, recognition and rewards, and a culture of innovation and learning. HSS continually makes concerted efforts to open many communication channels to understand our employees' satisfaction and concerns. We use blind surveys administered by third-party vendors, employee meetings, HSS Rewards to recognize exemplary behavior, and a Compliance Hotline for employees to express concerns.

We use one of the most rigorous hiring programs in the industry to select the best applicants. HSS Recruiters and/or Managers interview and investigate every security officer applicant including incumbent officers, if requested.



During the interview, applicants are evaluated on their character, dependability, conscientiousness, appearance, and English language skills.

In the final step of the hiring process, your HSS Program Manager and leadership team will interview and approve the placement of each successful applicant.

All officers assigned to the Airport will complete training to ensure that they are prepared from day one for the critical role they will play.

EMPLOYEE REFERRALS

Employees who love their job want to work with other professionals who are just as dedicated. Our Employee Referral Program pays employees when recommended quality personnel are hired as a result of their referral.

PERSONNEL SCREENING

In order to ensure excellence, it is necessary to hire employees who not only reduce the potential for an incident, but who also act responsibly when an incident occurs. To this end, HSS has developed a rigorous employee selection process, screening each applicant for verbal, written, and computer skills. Every person who becomes an HSS Security Officer has been interviewed and investigated thoroughly before receiving final approval from our corporate Human Resources Department.

The HSS Screening Process includes the following elements:

- Verification of experience and education requirements.
- Verification of the applicant's past 7 years of employment.
- Criminal History and Employment Background Verification in addition to the CHRC/STA requirements required to obtain a SIDA badge.
- Motor Vehicle Reports (MVR) are reviewed and considered for all driving posts.
- Pre-Employment Drug Testing.
- Candidates are initially phone screened or interviewed in person by a recruiter and if passed on to the

next step, will interview with an on-site operational manager

DRUG TESTING PROGRAM

HSS is a smoke-free and drug-free workplace and all drugs that are illegal under federal and state law are prohibited. HSS performs post-offer/pre-employment, post-accident, and reasonable suspicion drug screens.

Additionally, HSS' Drug Free Workplace Policy prohibits employees from manufacturing, selling, purchasing, distributing, dispensing, possessing, or using alcohol, drugs, or controlled substances at work, which includes on HSS and customer premises, in employer-owned/ customer-owned vehicles, and in personal vehicles used for employer business or parked on HSS or customer property. HSS also prohibits employees from reporting for work or being at work with any detectable amount of alcohol, drugs which are illegal under federal or state law, or controlled substances (or any of their metabolites) in their system.

The Employee Handbook details this information and is provided to every new employee. Additionally, HSS provides an Employee Assistance Program free of charge to all employees should further assistance be required.

AFFIRMATIVE ACTION/NONDISCRIMINATION

HSS does not discriminate based on race, sex, religion, color, national or ethnic origin, age, disability, or military service in our hiring and employment practices. We are committed to diversity in management and security officers not because we are required to, but because we believe diversity broadens our perspective and strengthens our ability to serve you and your community. Your security officer team will reflect the diversity of the communities it serves. We are proud to hire and employ a very diverse and rich cultural workforce.

PHYSICAL REQUIREMENTS AND DRESS CODE

It is important that all potential candidates are in good physical health and condition and capable of performing normal or emergency duties requiring moderate physical exertion.



While performing this job, employees will walk, stand, sit and observe for extended periods of time in various weather conditions. At times, an employee may also need to be able to run, climb stairs and assist with moving equipment. HSS visually screens all potential applicants to meet these job specific requirements. We believe that “looking the part” is one of the first steps to being a successful security officer. As such we maintain high standards for all HSS security staff as it pertains to personal and uniform appearance.

MAINTAINING EMPLOYEE QUALIFICATIONS

We utilize numerous processes to periodically verify current information on all HSS employees. We have an effective electronic program that documents all stages of an employee’s information. This ensures that all employees are up to date on training and certifications.

PERFORMANCE MANAGEMENT

Security officers receive regular feedback during their first 90 days through our onboarding program and performance evaluations are conducted annually by the site leadership. These evaluations enable supervisors to schedule immediate remedial training for employees who are not performing up to expectations and standards.

HSS uses a performance management system for our officers and supervisors to provide feedback and create a more efficient process of communication. Additionally, HSS leaders monitor employee performance and provide coaching and mentoring. Should a situation arise that requires corrective action instead of coaching, HSS uses progressive discipline (e.g., verbal and written documentation) to correct behavior while maintaining the confidentiality and dignity of our teammates.

TRAINING

Details on training can be found on pages 8-12 in response to question number 1.

CUSTOMER SERVICE DELIVERY

HSS understands the important role and the direct connection between providing world class security and world class customer service. The HSS Security Program is focused on enhancing the experience of the travelers, vendors, air carriers, and employees of the airport while providing uncompromising security.

Customer service and diversity awareness are encouraged throughout all training opportunities. Our customers have recognized our efforts and as a result we have maintained an exceptional 91% customer retention rate over the last 20 years.

We gain new clients by offering a higher level of service delivery and maintain those same clients by continually raising the bar.

Every security officer is asked to hand out a combination business card/comment card for any contact with a customer of the client outside of normal duties, and for any contacts with vendors of a client, they are also asked to hand out a card to the vendor. The comment card requests feedback and provides an email address, telephone number, and address to reach us with comments, suggestions, or compliments. Each security officer is evaluated on the accuracy of their reports, customer feedback, instances of outstanding performance, continued safety, and attendance.

HSS employees are trained to adhere to the belief that initial greetings conducted with courtesy, dignity, and respect are the start to every successful contact. “How are you doing today?” said with a smile is the perfect start to most non-confrontational events. Saying please and thank you, answering patron questions, and advising people of additional services or where further information is available are other ways to courteously assist our customers.



REPORTING AND DOCUMENTATION

REPORTING/NOTIFICATION

The Program Manager and/or Assistant Program Manager will be in daily contact with all supervisors. Incident and Daily Summary Reports will be provided to the Airport's designated representative upon request. To the extent allowed, the Program Manager will also contact agency or department administrators for input and evaluation of services. Any extenuating, special or critical situations will be reported immediately by using established notification protocols.

MOBILE DEVICE SOLUTIONS

As part of our continuous improvement initiatives, HSS seeks technological solutions that will bring operational efficiencies and improved accuracy. We have partnered with TrackTik to provide a mobile device solution that can meet our needs.

TrackTik is a web-based software that operates on a smart phone device, tablet, or computer. The device may have voice and data capabilities in addition to running the TrackTik software. HSS has implemented TrackTik at other airport client sites and realized greater accuracy in reporting, improved efficiency in gathering analytics, and more comprehensive and expeditious reporting of incidents.

Once an authorized user logs in, all actions performed and reports completed will contain the user name, a time stamp, and GPS location for positive identity and accurate time reporting; saving time and eliminating the need to record repetitive information, decreasing the possibility of misspelled words, or multiple words used to describe the same type of incident and issues of legibility. Drop down menus allow for accurate reporting and make it easier to provide summary reports and notice patterns of occurrences.

TrackTik provides "breadcrumb" reports on the GPS location of all users and can be viewed in real time through a portal so that security officers can be located immediately if needed. Required patrol tours can be established to utilize inexpensive tokens which are scanned to confirm the time that each check was made.

ACTIVITY & INCIDENT REPORTING MANAGEMENT SYSTEM

COLLECT & ORGANIZE YOUR REPORTS ELECTRONICALLY!

Eliminate paper reporting, strategically organize your documents and easily analyze data collected in the field by your team!

- Collect reports online or via the mobile application.
- Enhance reports with signatures, photos and videos directly from the mobile application. Easily create your own reporting template.
- Access reports in real time from your laptop, tablet, mobile device, or simply receive daily reports instantly by email.

PERFECT FOR

- Activity Report
- Incident Report
- Maintenance Report
- Daily Activity Report
- Customizable Report

If any checkpoints in the tour are missed, the system can notify the user and the Supervisor. HSS Security Officers can easily upload photos for incident reporting and a Daily Activity Report is created based on every report completed and includes time stamps throughout the day.

Post orders, bulletins, and BOLOS can be pushed out to users as well. HSS is excited about the analytics available when utilizing this system. Observing specific areas for patterns or trends can assist with redirecting personnel to better meet the needs of our clients.

Clients can be granted a portal for authorized users that will have direct access to:

- Online logs that can be accessed, queried, and printed
- Personnel movements displayed on site-maps
- All post orders including contingency, evacuation and emergency response plans.

TrackTik is more than a replacement for paper forms currently in use. Utilizing the system efficiently requires a review and understanding of the processes to discern what data is required and the best way to gather and store that data.



If awarded the contract, HSS will meet with the Airport representative to discuss and determine the proposed use, cost, and implementation schedule for your Airport.

VEHICLES

HSS can provide GMIA with one vehicle (appropriately marked as SECURITY with light bar) to support this account. The cost for this vehicle is provided in the Cost Proposal section and is all-inclusive; covering all service, preventative maintenance, insurance, fuel expense, and vehicle replacement at the end of its life cycle. The vehicle will be kept in good working order and be free from rust and physical blemishes. The HSS name will be prominently displayed on both front doors.

RADIOS/CELL PHONES

HSS will provide cellular phones to all posts, Supervisors, and the Program Manager. The Program Manager is issued a cell phone capable of receiving email and able to receive communications 24/7.

HSS issues a standard military style uniform



and alternate concierge style uniform

UNIFORMS

HSS provides a standard issuance of all necessary uniform items to our personnel at no charge. Security officers who work outside will be supplied with appropriate attire and equipment.

Security officer compliance with the uniform requirements is important and will be verified by supervisors to ensure the uniform is neat, pressed, and worn in accordance with established policy. Failure to comply with the uniform policy results in coaching, counseling, and disciplinary action if needed.

Uniform Inventory List

HSS provides the following uniform items to all security officers at no charge to the employee:

- 3 uniform blue or white shirts (long or short)
- 2 pair of black uniform pants (all season)
- 1 leather belt
- 1 winter coat (parkas issued in some locations)
- 1 black commando sweater

Security officers working outside are provided raincoats, hats, flashlights, and reflective clothing as needed.



EMPLOYEE RETENTION STRATEGY

HSS minimizes turnover by utilizing many different approaches. First, HSS recruits for and hires security officers not security guards. We understand that the airport environment requires a higher level of employee engagement due to the critical infrastructure that we are protecting. We train our security officers to understand the delicate balance of providing excellent customer service while delivering a higher level of security and continually remind them of current aviation security threats to underscore why we do what we do.

HSS values employees and demonstrates this in its employee-centric focus on total compensation, recognition, opportunity for professional and individual growth, and comprehensive benefits.

EMPLOYEE INCENTIVES

At HSS, we value our employees and their contributions to our clients. HSS incentivizes our employees by providing training that was developed by nationally recognized experts and is taught by local site management and experienced team mates from the home office or other AGS sites who assist during the start-up phase.

FORMALIZED INCENTIVE PROGRAM

Whereas many companies claim to value their employees, HSS backs it up with a real program with real recognition and monetary rewards available to all employees. HSS employees are given monetary rewards to spend as they choose from over 300 online shops. This program is extended to supervisors who nominate officers for recognition and awards, and to coworkers who may nominate one another, pending approval through the proper chain of command. Awards include:

- Pride Champions - \$100 rewards issued for exceptional performance in the line of duty by the CEO
- Service Awards - to honor tenure with HSS
- Awards for Perfect Attendance
- Awards for excellent uniform inspections
- Employee Referral Bonuses (currently at \$100!)



HSS PERKS AT WORK PROGRAM

In 2016, HSS, in partnership with Next Jump, implemented the HSS Perks at Work Program. The program leverages the purchasing power of employees from many companies to save money. HSS employees can enjoy corporate rates on everything from everyday purchases (groceries, restaurants, movie tickets, cell phone monthly rates, pets, and household items) to big ticket items (travel, rental cars, and computers). They have access to thousands of deals as well as exclusive offers as they become available for local and national merchants.

Another unique feature is the WOWPoints loyalty program. Most purchases earn WOWPoints, which can be redeemed for additional discounts or donated to a charity.

INTERNAL PROMOTIONS

HSS incentivizes employees by providing professional development and promoting from within. We provide opportunities for industry certifications (e.g. AAAS ACE - Security, CM, and ASIS C.P.P.) as well as our internal leadership development program which is called iLEAD.

This gives employees the knowledge and tools to become leaders. With this development, we can promote high performing employees to management positions.



PROFESSIONAL DEVELOPMENT

HSS' exciting multi-module leadership training program is called iLEAD, which stands for "Institute for Leadership, Education, Advancement and Development." The focus of iLEAD is to continually develop employees so they can succeed and excel – in their job, in their career aspirations and in enabling others to succeed. The more successful employees are over time, the more those around them benefit. This "ripple effect" includes co-workers and customers. The customized iLEAD program includes computer based training courses and instructor-led training classes emphasizing total leadership development.

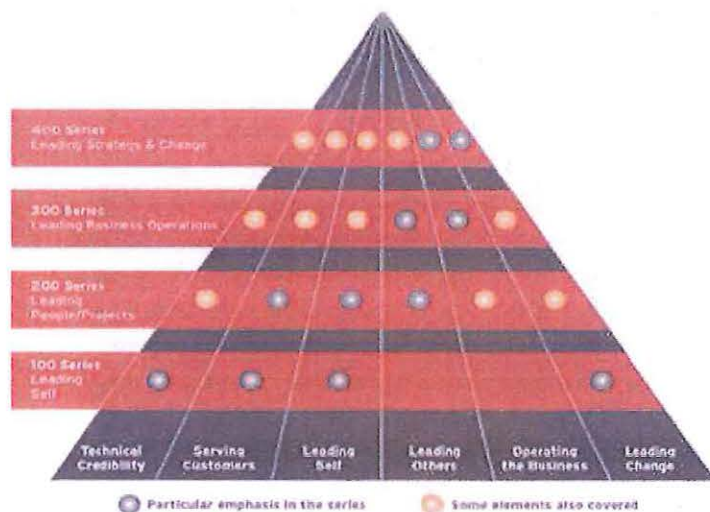
iLEAD is structured for progressive learning at every level within HSS. The 100-series curriculum is targeted at entry level employees and focuses on Leading Self. The 200-series curriculum is targeted towards supervisors and focuses on Leading Others while the 300-series curriculum is targeted towards Program/Site Managers and focuses on Operating the Business. Finally, the 400-series curriculum is targeted towards the Executive Staff and focuses on Leading Strategy and Change. Employees may participate in the iLEAD series specific to their position at HSS and with supervisor approval, may take classes in higher series at their own pace to prepare and help them compete for future promotional opportunities.

EMPLOYEE SATISFACTION

In addition to the employee retention efforts described previously, HSS reaches out to employees through multiple channels and conducts annual 3rd party Employee Surveys to gauge how employees are feeling.

Various and on-going surveys, town-hall and skip-level meetings coupled with focused reach out campaigns with our employees and customers revealed a desire for a cultural shift from a structured, command-and-control environment toward one emphasizing teamwork, communication, mentorship, empowerment, and personal development.

Today, one of our main strategic focus areas is evolving HSS culture. Five elements of HSS culture combine to create a sense of purpose and belonging: TRUST, LEARNING, CARING, ACCOUNTABILITY, and INNOVATION.



At HSS, we are working with our teams to:

- Empower employee decision-making to build trust and confidence;
- Foster teammates' self-improvement;
- Demonstrate our caring about HSS, teammates, customers and their mission, as well as our communities;
- Lead with authenticity and accountability for our mistakes and successes; and
- Be innovative to carry on with our reputation as market leaders.

These are all tall orders, but we have the talent and drive to achieve our objectives. HSS is proud of the culture we are building as an organization and refer to it as "I Feel Valued." It fits our brand, focus, and position as marketplace leaders. We dedicate a great deal of attention to understanding and enhancing HSS culture as it relates to the employee experience, which ultimately results in improved customer value.



COMPREHENSIVE EMPLOYEE BENEFITS

THE HEALTH INSURANCE PLAN

The employee's contribution varies based on the plan selected (from \$94-\$142 monthly for single coverage); the employee's portion of the premium is paid through payroll deductions.

EMPLOYEE WELLNESS PLAN

Employees who enroll in an HSS medical insurance plan are eligible to participate in our FREE Employee Wellness Program. This program offers individual consultation, life coaches, and personalized assistance in reaching individual goals.

DENTAL PLAN

HSS offers its full and part-time employees dental insurance through two dental plans. Employees have a choice of a Value Plan or Standard Plan. New employees will pay a greater percentage of their monthly premiums. However, after one year of service, HSS pays up to 35% of the premium.

VISION PROGRAM

The HSS Vision Care Program is available to all full and part-time employees. Although HSS does not contribute directly to the Vision plan, employee contributions are as low as \$4.53 for employee only coverage. The vision program includes discounts on full vision services and savings on contacts, prescription glasses, and other services.

LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT

HSS offers Basic and Supplemental Life and AD&D coverage through Mutual of Omaha. All employees have the option of purchasing additional Life and AD&D coverage. After one year of service, HSS provides \$10,000 coverage for all active, full-time non-exempt (hourly) employees regularly working a minimum of 36 hours per week at no charge to the employee.

HSS PROVIDES COMPREHENSIVE EMPLOYEE BENEFITS

Comprehensive Health Insurance Plan
Wellness Program
Dental Plan
Vision Plan
Disability Insurance
401(k) Plan with HSS yearly match
Personal Time Off (PTO) Plan (vacation)
Holiday Pay
Catastrophic Leave (Absence due to injury or illness)
HSS Rewards Incentive Program (All employees participate)
Life Insurance (\$10,000 of coverage provided for employee after one year at no cost)
Employee Assistance Program (100% company paid)
Direct Payroll Deposit (Free to all employees)
Paid Time Off; Vacation and Catastrophic Leave

SHORT-TERM AND LONG-TERM DISABILITY

HSS offers short-term disability and long-term disability coverage to full-time employees.

EMPLOYEE ASSISTANCE PROGRAM

HSS offers a 24/7 Employee Assistance Program through Mutual of Omaha Group Insurance. This service offers confidential support, guidance, and resources to employees and aids with parenting and childcare, eldercare, relationships, work and career, and financial concerns.

401(K) PLAN AND EMPLOYER MATCH

The 401(k) plan is funded exclusively through investment options from Principle Financial Services. All employees, including part-time employees, are eligible to contribute immediately upon beginning work at HSS. In addition, an employee may be eligible to receive a contribution from HSS.



DIRECT DEPOSIT

During enrollment, new employees sign up to have their payroll checks deposited directly into a checking or savings account at a bank, savings and loan, or credit union. This ensures that pay occurs in a predictable manner and does not require an employee to have to go to the bank.

QUALITY ASSURANCE

Continuous improvement is an essential component of the way we do business. HSS has made a commitment to "process improvement" and each manager and employee is empowered through training and incentives.

We promote the philosophy that there are always ways to improve. At an organizational level, we seek ways to improve recruitment and retention, refine policies and procedures, and enhance employee training and supervision. We also consistently evaluate our performance on an operational level and work towards enhancing quality in all areas, some of which include reporting, response times, equipment maintenance, and our five Key Performance Indicators (specified below).

KPI'S AND CONTINUOUS IMPROVEMENT

HSS is never satisfied with the status quo or current standard of performance; we look to perform at the next highest level and search out ideas for continuous improvement from the air carrier and aviation security industries. We learn about and share best practices gleaned from ACI-NA, AAAE, the other airports we serve, and most importantly, from our front-line employees and leaders.

KPI'S

We will partner with the Airport to develop relevant Key Performance Indicators (KPIs) to measure our performance and ability to improve on the current standards. HSS' standard KPI initiative has five categories of emphasis including: on site manager performance; security officer performance (including training); equipment maintenance; customer service; and projects (special focus areas).

Key Performance Scoring

PERIOD: _____
REVIEW BOARD MEMBER: _____
DATE: _____

Review Board Member Instructions:

Please review Key Performance Program Description Rubrics for each of the categories listed under the five (5) General Areas to be evaluated. Scoring "guidelines" are listed for each category but the review Board Member can assign any whole number they deem appropriate within the range for the category. In the event of fractional scores, 0.5 and above should be rounded "up" to the next whole number and any score below 0.5 rounded "down". Points awarded for each category should be tabulated and the score for each General Area should be listed below:

GENERAL AREAS & CATEGORIES:	MAX POINTS:	SCORING:
1. On-Site Management Performance	30	
a. Billing Accuracy	(5)	
b. Employee Retention	(5)	
c. Post Order Knowledge	(10)	
d. Timely Response to City Requests	(10)	
2. Employee Performance	30	
a. Employee Incentive Program	(10)	
b. City Observations	(10)	
c. Training	(10)	
3. Equipment	15	
a. Radius	(5)	
b. Vehicles	(5)	
c. SSI Pouches	(5)	
4. Customer Service	5	
a. Compliments Vs Complaints	(5)	
5. Projects (special focus areas)	20	
a. Ideas to improve operations	(10)	
b. Special Focus	(10)	
TOTALS	100	
* Extraordinary Circumstances		

Review Board Member Signature: _____

VERIFYING EMPLOYEE PERFORMANCE

HSS utilizes its competency task training program to ensure personnel fully comprehend their training, understand their duties, and can demonstrate competency in the performance of their duties on a daily basis.

MONTHLY PERFORMANCE INSPECTIONS

In cooperation with the Airport, HSS will continue to conduct monthly quality inspections. The inspection will include observations of security officers to ensure security officer conduct and appearance meet expectations.

QUARTERLY COMPETENCY TASK TESTING

To ensure that our security officers retain working knowledge of the post orders, quarterly competency task testing is conducted. In addition to impromptu testing by site leadership, each officer is tested on specific processes and procedures in support of their post orders.

Supervisors meet with employees daily and test post order competency. If security officers do not pass the



competency test, immediate retraining is performed on site and the material is reviewed until thoroughly understood.

While making their post visits, supervisors clarify any questions, resolve concerns, conduct uniform inspections, and evaluate job performance.

HSS' competency-based methodology ensures that officers know and understand their roles and responsibilities. Each task is customized to meet the specific requirements of the post.

YEARLY PERFORMANCE EVALUATIONS

All employees are formally evaluated annually. Additionally, all employees including supervisors, are evaluated through the quarterly competency testing described above and by performance metrics that are based on the Key Performance Indicators.

THIRD PARTY AUDITS

HSS sponsors in-depth audits at no charge to the Airport, conducted by a nationally recognized third-party aviation security consultant. The audit is comprised of the following areas: Administrative Processes; Contract Compliance; Equipment/Facilities; Post Orders; Communications; Safety/Health; and Operations (which includes Customer Service and Training/Qualifications). The results of the audit are shared internally. All action plans are immediately put into place.



PROVIDE A DETAILED LISTING OF THE NUMBER OF PERSONNEL NECESSARY TO PROPERLY MANAGE FOUR (4) POSTS TWENTY-FOUR (24) HOURS PER DAY, SEVEN (7) DAYS PER WEEK.

4. STAFFING PLAN

STAFFING VARIOUS ASSIGNMENTS TO ENSURE POST KNOWLEDGE

Security officers shall be staffed in accordance with the proposed staffing schedule and any necessary modifications will be made in conjunction with the Airport. To ensure employees are knowledgeable about other posts, HSS trains security officers in multiple positions. When able, we also create a rotation that allows exposure to multiple posts daily (or during the month). This methodology not only ensures that all security officers are capable of working multiple posts, but also adds variety and increases vigilance by reducing the likelihood of boredom.

SPAN OF CONTROL

HSS prides itself on determining the appropriate management, administration, supervision and training to support security services based on the proposed hours and operational characteristics in a Request for Proposal (RFP) offering. HSS also realizes that in a partnership, it is critical for the security contractor to provide scalable staffing to meet the needs of its clients. When additional security personnel are requested for special projects (e.g. construction haul routes), expansion of existing services (e.g., adding additional guard posts) or providing additional new services (e.g. queue line management, divesting), there are supervisory and training "span of control" factors that are critical to the overall success of the client-contractor partnership. HSS has determined an appropriate "span of control" is one (1) supervisor for every twenty-five (25) security officers and one (1) trainer for every fifty (50) security officers. Additional manpower requests by the client necessitate a review to add billable supervisory and/or training positions to maintain the desired level of HSS service delivery.

A sample staffing schedule follows.

FIGURE 4. STAFFING SCHEDULE #1

General Mitchell International Airport												
	In	Out	Gross	UWB	Net	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Program Manager												
Program Manager	700	1500	8		40.00		PM	PM	PM	PM	PM	
Supervisors												
Supervisors	700	1500	8		168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1500	2300	8		56.00	SS-5	SS-1	SS-1	SS-1	SS-1	SS-1	SS-5
	2300	700	8		56.00	SS-A	SS-A	SS-A	SS-A	SS-3	SS-3	SS-3
					56.00	SS-2	SS-2	SS-2	SS-2	SS-2	SS-4	SS-4
Tug Road												
Tug Road	545	1345	8.00		168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1345	2145	8.00		56.00	SO 1	SS-5	SS-5	SS-5	SO 1	SO 1	SO 1
	2145	545	8.00		56.00	SO 4	SO 4	SO 4	SO 4	SO 4	SO 6	SO 6
					56.00	SO 7	SO 7	SO 7	SO 7	SO 7	SO 8	SO 8
North												
North	610	1410	8.00		168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1410	2210	8.00		56.00	SO 3	SO 1	SO 2	SO 2	SO 2	SO 2	SO 2
	2210	610	8.00		56.00	SS-3	SS-3	SO 5	SO 5	SO 5	SO 5	SO 5
					56.00	SO B	SO B	SS-4	SS-4	SS-4	SO B	SO B
Airport Terminal												
Airport Terminal	530	1330	8.00		168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1330	2130	8.00		56.00	SO-9	SO 3	SO 3	SO 3	SO 3	SO-9	SO-9
	2130	530	8.00		56.00	SO 6	SO 6	SO 6	SO D	SO D	SO D	SO D
					56.00	SO 8	SO 8	SO 8	SO C	SO C	SO C	SO C
4th Position												
4th Position	530	1330	8.00		168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1330	2130	8.00		56.00	SO-10	SO-9	SO-9	SO-10	SO-10	SO-10	SO-10
	2130	530	8.00		56.00	SO-A	SO-A	SO-A	SO-A	SO-E	SO-E	SO-E
					56.00	SO-F	SO-F	SO-F	SO-G	SO-G	SO-G	SO-G



PROPOSER REQUIREMENTS

5. PROVIDE A DETAILED LISTING OF THE NUMBER OF PERSONNEL NECESSARY TO PROVIDE SECURITY OFFICER SERVICES FOR THREE (3) POSTS TWENTY-FOUR (24) HOURS PER DAY, SEVEN (7) DAYS PER WEEK.

5. STAFFING PLAN #2

FIGURE 5. STAFFING SCHEDULE #2

	In	Out	Gross	UWB	Net	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Program Manager												
Program Manager	700	1500	8		40.00		PM	PM	PM	PM	PM	
Supervisors												
Supervisors	700	1500	8		56.00	SS-5	SS-1	SS-1	SS-1	SS-1	SS-1	SS-5
	1500	2300	8		56.00	SS-A	SS-A	SS-A	SS-A	SS-3	SS-3	SS-3
	2300	700	8		56.00	SS-2	SS-2	SS-2	SS-2	SS-2	SS-4	SS-4
Tug Road												
Tug Road	545	1345	8.00		56.00	SO 1	SS-5	SS-5	SS-5	SO 1	SO 1	SO 1
	1345	2145	8.00		56.00	SO 4	SO 4	SO 4	SO 4	SO 4	SO 6	SO 6
	2145	545	8.00		56.00	SO 7	SO 7	SO 7	SO 7	SO 7	SO 8	SO 8
North												
North	610	1410	8.00		56.00	SO 3	SO 1	SO 2	SO 2	SO 2	SO 2	SO 2
	1410	2210	8.00		56.00	SS-3	SS-3	SO 5	SO 5	SO 5	SO 5	SO 5
	2210	610	8.00		56.00	SO B	SO B	SS-4	SS-4	SS-4	SO B	SO B
Airport Terminal												
Airport Terminal	530	1330	8.00		56.00	SO A	SO 3	SO 3	SO 3	SO 3	SO A	SO A
	1330	2130	8.00		56.00	SO 6	SO 6	SO 6	SO D	SO D	SO D	SO D
	2130	530	8.00		56.00	SO 8	SO 8	SO 8	SO C	SO C	SO C	SO C
Part Time - Replacement												
Part Time - Replacement	RF-FL0001	24-40				0600-1400	0600-1400	0600-1400	0600-1400	0600-1400	0600-1400	0600-1400
	RF-FL0002	24-40				1400-2200	1400-2200	1400-2200	1400-2200	1400-2200	1400-2200	1400-2200
	RF-FL0003	24-40				2200-0600	2200-0600	2200-0600	2200-0600	2200-0600	2200-0600	2200-0600

6. PROVIDE A SEPARATE PER HOUR CHARGE RATE FOR MANAGEMENT AND SECURITY OFFICER SERVICES.

6. PRICING

POSITION	ESTIMATED HRS	BILLING RATE
SECURITY OFFICER	26,280	\$22.11
SUPERVISOR	8,760	\$26.67
ADMIN PROGRAM MANAGER	2,080	\$32.00



7. POSSESS QUALIFICATIONS AND RECENT AIRPORT EXPERIENCE IN MANAGING AND PROVISIONING OF SECURITY OFFICER SERVICES.

7. QUALIFICATIONS AND RECENT AIRPORT EXPERIENCE

HSS has been the security services provider at General Mitchell International Airport (MKE) since 2009. As the incumbent provider, HSS provides the required services not only to MKE, but also to the other 10 Airports, including: DEN, ATL, IAD, MCO, OAK, PDX, PHX, SAN, and SLC.

As previously stated, HSS has more than 20 years of providing security services under Title 49 CFR Part 1542 at large-hub, Category X, and Category I International Airports.

Company-wide, HSS deploys more than 4,000 security professionals, throughout 20 states. HSS has been providing security to Aviation clients and Hospital Security Clients for over 50 years.

- Perform identification and stop list checks, vehicle permitting and authorizations.
- Perform vehicle inspections, screening and searches as directed.
- Perform vendor delivery and package inspections prior to entry into Sterile Areas.
- Perform vehicle escorts.
- Monitor and secure security fence perimeters for unauthorized activities and intrusions.

- Assist in access control by responding to access control alarms.
- Provide curbside parking and traffic control services
- Patrol and control access to employee and public parking lots
- Exit Lanes - Perform Sterile Area blocking and access control at passenger screening checkpoints/exit lanes.

Detailed descriptions of the current airport contracts are included in the Experience and Credentials section of this Technical Proposal.

8. PROVIDE A PLAN FOR SUPPLEMENTAL STAFFING OF UP TO FOUR (4) ADDITIONAL FIXED POSTS FOR UP TO SIXTEEN (16) HOURS PER DAY, FIVE (5) DAYS PER WEEK.

8. SUPPLEMENTAL STAFFING

ADDITIONAL COVERAGE / EMERGENCY SHORT-TERM COVERAGE

Our initial response is always immediate. HSS understands that irregular operations are inevitable and provides support to our clients at the local level as well as from the corporate level.

In the event that MKE requests supplemental staffing for four additional fixed posts, hss will provide personnel according to the staffing chart that follows.



PROPOSER REQUIREMENTS

FIGURE 7.1 SUPPLEMENTAL STAFFING SCHEDULE

	In	Out	Gross	UWB	Net	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Program Manager												
Program Manager	700	1500	8		40.00		PM	PM	PM	PM	PM	
Supervisors												
Supervisors	700	1500	8		56.00	SS-5	SS-1	SS-1	SS-1	SS-1	SS-1	SS-5
	1500	2300	8		56.00	SS-A	SS-A	SS-A	SS-A	SS-3	SS-3	SS-3
	2300	700	8		56.00	SS-2	SS-2	SS-2	SS-2	SS-2	SS-4	SS-4
Tug Road												
Tug Road	545	1345	8.00		56.00	SO 1	SS-5	SS-5	SS-5	SO 1	SO 1	SO 1
	1345	2145	8.00		56.00	SO 4	SO 4	SO 4	SO 4	SO 4	SO 6	SO 6
	2145	545	8.00		56.00	SO 7	SO 7	SO 7	SO 7	SO 7	SO 8	SO 8
North												
North	610	1410	8.00		56.00	SO 3	SO 1	SO 2	SO 2	SO 2	SO 2	SO 2
	1410	2210	8.00		56.00	SS-3	SS-3	SO 5	SO 5	SO 5	SO 5	SO 5
	2210	610	8.00		56.00	SO B	SO B	SS-4	SS-4	SS-4	SO B	SO B
Airport Terminal												
Airport Terminal	530	1330	8.00		56.00	SO A	SO 3	SO 3	SO 3	SO 3	SO A	SO A
	1330	2130	8.00		56.00	SO 6	SO 6	SO 6	SO D	SO D	SO D	SO D
	2130	530	8.00		56.00	SO 8	SO 8	SO 8	SO C	SO C	SO C	SO C
Construction Special												
Construction Special	630	1430	8.00		40.00		SP-1	SP-1	SP-1	SP-1	SP-1	
Construction Special	630	1430	8.00		40.00		SP-2	SP-2	SP-2	SP-2	SP-2	
Construction Special	630	1430	8.00		40.00		SP-3	SP-3	SP-3	SP-3	SP-3	
Construction Special	630	1430	8.00		40.00		SP-4	SP-4	SP-4	SP-4	SP-4	
Construction Special	1430	2230	8.00		40.00		SP-5	SP-5	SP-5	SP-5	SP-5	
Construction Special	1430	2230	8.00		40.00		SP-6	SP-6	SP-6	SP-6	SP-6	
Construction Special	1430	2230	8.00		40.00		SP-7	SP-7	SP-7	SP-7	SP-7	
Construction Special	1430	2230	8.00		40.00		SP-8	SP-8	SP-8	SP-8	SP-8	
Part Time - Replacement												
Part Time - Replacement	RF-FL0001	24-40					0600-1400	0600-1400	0600-1400	0600-1400	0600-1400	
	RF-FL0002	24-40					1400-2200	1400-2200	1400-2200	1400-2200	1400-2200	
	RF-FL0003	24-40					2200-0600	2200-0600	2200-0600	2200-0600	2200-0600	

EXAMPLES OF SHORT NOTICE STAFF INCREASES

In response to the debate on employee screening requirements heightened by the Delta gun smuggling arrests in Atlanta and discussion held on February 3, 2015 at the House Homeland Security Committee's Border Security Panel, HSS was approached by numerous airport clients to begin or expand upon random employee inspections. The protocols are in place and we responded immediately upon request. HSS has trained and deployed staff to provide baggage/personal item searches, positive identification of badged employees, and screening of employees by hand wand at many of our airport client sites. HSS has trained employees within 72 hours of the requests and is continuing to receive requests for additional staffing. More recently, HSS partnered with a number of our client airports to provide emergency staffing support when Executive Order 13769 (Protecting the Nation from Foreign Terrorist Entry into the United States) was signed and issued on January 27, 2017. During that weekend, many airports faced challenges with protesters and HSS was able to provide crowd control assistance and other security functions.



9. PROVIDE DETAILS ON HOW POSTS WILL BE STAFFED IN THE EVENT THAT A SCHEDULED OFFICER DOES NOT REPORT FOR HIS/HER ASSIGNED SHIFT.

9. COVERAGE FOR UNSCHEDULED SECURITY OFFICER ABSENCES

SCHEDULING

The majority of employees are regularly assigned to a 40-hour work week, with part-time employees assigned to regularly scheduled shifts. Security officers are assigned to a regular 8-hour shift, with two consecutive days off. In addition, HSS maintains part-time employees that are trained at multiple posts and will meet all Airport requirements. These employees are utilized to fill-in regularly scheduled days off as well as unplanned absences and are anchored to regular shifts in addition to extra work they may request. Part time employees are required to work a minimum of eight hours every two weeks.

No post is EVER left uncovered. HSS will assign a supervisor to each shift to ensure coverage and all employees are given specific instructions that their job responsibilities include holding over for shifts in case of absences. As described in the previous section, HSS has a ready on-call pool of employees who will possess a SIDA badge and be trained to work several posts, and who must respond if called.

11. PROVIDE DAILY WORK SCHEDULES FOR WORK PERFORMED.

11. DAILY SCHEDULES

HSS will provide daily work schedule for work performed as required.

12. SHALL DEVELOP MONTHLY INSPECTION POINT SCHEDULES AND DOCUMENT/REPORT ALL FINDINGS AT THE INSPECTION POINTS.

12. MONTHLY INSPECTIONS

HSS currently conducts monthly inspections in accordance with the contract and will continue to do so as required.

13. SHALL DEVELOP RANDOM/UNPREDICTABLE METHODOLOGY FOR CONDUCTING BOTH VEHICLE AND PERSONNEL INSPECTIONS AT POSTS.

13. RANDOM INSPECTIONS OF POSTS

HSS has worked with GMIA to develop a methodology for conducting both vehicle and personnel inspections at posts and will continue to implement it, refining as necessary.



ALTERNATE A

1. IN ADDITION TO THE REQUIREMENTS OF THE BASE RFP, THE PROPOSER MUST SUBMIT A DETAILED DESCRIPTION OF THE FOLLOWING TO SUPPORT ONE (1) 4 WHEEL-DRIVE (4WD) OR ALL-WHEEL DRIVE (AWD) VEHICLE AND MOBILE SECURITY OFFICER FOR ONE (1) 24/7/365 POST.

VEHICLE OUT OF SERVICE PROCEDURE

In the event that a vehicle becomes inoperable, a replacement vehicle will be immediately leased to replace it until repairs are complete. HSS has magnetic signs and portable light bars that can be used when utilizing rental vehicles to maintain proper identification of vehicles and remain compliant with contract specifications.

POSITION	ESTIMATED HRS	BILLING RATE
VEHICLE (4WD OR AWD)	---	\$0 (included with mobile security officer billing rate)
SECURITY OFFICER	8,760	\$23.61

STAFFING FOR ALTERNATE A

FIGURE A - ALTERNATE A - MOBILE SECURITY STAFFING

General Mitchell International Airport												
Master Schedule												
	In	Out	Gross	UWB	Net	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Program Manager												
Program Manager	700	1500	8		40.00		PM	PM	PM	PM	PM	
Tug Road												
					168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Tug Road	545	1345	8.00		56.00	SO-1	SO-1	SO-1	SO-1	SO-1	SO-A	SO-A
	1345	2145	8.00		56.00	SO-B	SO-B	SO-2	SO-2	SO-2	SO-2	SO-2
	2145	545	8.00		56.00	SO-3	SO-3	SO-3	SO-3	SO-3	SO-C	SO-C



ALTERNATE B

1. IN ADDITION TO THE REQUIREMENTS OF THE BASE RFP, THE PROPOSER MUST SUBMIT A DETAILED DESCRIPTION OF THE FOLLOWING TO SUPPORT ONE (1) SECURITY OFFICER FOR ONE(1) 24/7/365 INTERIOR/EXTERIOR WALKING POST OR GUARD BOOTH CHECKPOINT.

POSITION	ESTIMATED HRS	BILLING RATE
SECURITY OFFICER	8,760	\$22.11/HR.

PHYSICAL STANDARDS

It is important that all potential candidates are in good physical health and condition and capable of performing normal or emergency duties requiring moderate physical exertion.

While performing this job, employees will walk, stand, sit and observe for extended periods of time in various weather conditions. At times, an employee may also need to be able to run, climb stairs and assist with moving equipment.

UNIFORMS

HSS provides a standard issuance of all necessary uniform items to our personnel at no charge. Security officers who work outside will be supplied with appropriate attire and equipment.

Security officer compliance with the uniform requirements is important and will be verified by supervisors to ensure the uniform is neat, pressed, and worn in accordance with established policy. Failure to comply with the uniform policy results in coaching, counseling, and disciplinary action if needed.

UNSCHEDULED SECURITY OFFICER ABSENCES

HSS maintains part-time employees that are trained at multiple posts and will meet all Airport requirements. These employees are utilized to fill-in regularly scheduled days off as well as unplanned absences and are anchored to regular shifts in addition to extra work they may request. Part time employees are required to work a minimum of eight hours every two weeks.

No post is EVER left uncovered. HSS will assign a supervisor to each shift to ensure coverage and all employees are given specific instructions that their job responsibilities include holding over for shifts in case of absences. As described in the previous section, HSS has a ready on-call pool of employees who will possess a SIDA badge and be trained to work several posts, and who must respond if called.

STAFFING FOR ALTERNATE B

See staffing chart that follows.

General Mitchell International Airport

Master Schedule												
	In	Out	Gross	UWB	Net	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Program Manager												
Program Manager	700	1500	8		40.00		PM	PM	PM	PM	PM	
Tug Road												
					168.00	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Tug Road	545	1345	8.00		56.00	SO-1	SO-1	SO-1	SO-1	SO-1	SO-A	SO-A
	1345	2145	8.00		56.00	SO-B	SO-B	SO-2	SO-2	SO-2	SO-2	SO-2
	2145	545	8.00		56.00	SO-3	SO-3	SO-3	SO-3	SO-3	SO-C	SO-C



FINANCIAL CAPABILITY

1. DEMONSTRATE THAT YOUR ORGANIZATION HAS, OR CAN OBTAIN, ADEQUATE FINANCIAL RESOURCES TO PERFORM THE SERVICES UNDER ANY CONTRACT RESULTING FROM YOUR PROPOSAL.

A. DESCRIBE YOUR WORKING CAPITAL/CASH POSITION AND YOUR ABILITY TO REMAIN VIABLE OVER THE PROPOSED CONTRACT TERM.

HSS has the working capital required to fulfill this contract. As we are the incumbent, the startup costs of the new contract are limited and do not require additional working capital investment significant above what HSS has already invested in the service. Option A would require the acquisition of an additional vehicle and this would be financed through current HSS cash flow.

However, HSS does have a line of credit that can be utilized for short term cash flow needs, although this line of credit has not been needed in the recent past.

B. PROVIDE COPIES OF AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE LAST THREE (3) YEARS, AND PROOF OF UP-TO-DATE TAXES FROM UNLISTED COMPANIES.

We have provided audited financial statements for the last four years (see Additional Information Section).

C. PROVIDE DETAILS OF ANY MATERIAL CHANGES (E.G., OWNERSHIP, STRUCTURE, ACQUISITIONS, ETC.) IN THE LAST FINANCIAL YEAR.

There have been no material changes in ownership or structure in the last fiscal year. In fact HSS has been owned by its founding shareholders for over 50 years!

2. PROVIDE YOUR PROJECTED OPERATING EXPENSES IN THE AREAS OF STAFF, EQUIPMENT, UTILITIES, AND OTHER ROUTINE OPERATING EXPENSES.

The projected operating expenses are as follows:

- A benchmark of twenty-five (25) to twenty-eight (28) security officers, depending on dynamic staffing ratio of full-time and part-time officers. The baseline also allocates three (3) full-time security officer roles to HSS's DBE, Metro Security Services.

- Three (3) full-time supervisors and three (3) part-time supervisors.
- One (1) On-Site Program Manager.
- Full compensation plans for the HSS teammates; including but not limited to, comprehensive benefits; recognition programs, training programs, group discount programs, and formalized rewards performance incentives. Varying on the benefits plan(s) selected, eligible employees may receive: comprehensive health insurance plan, wellness program, dental plan, vision plan, disability insurance, 401(k) plan with HSS yearly match, personal time off (PTO) plan, holiday plan, catastrophic leave, life insurance, employee assistance program, and direct payroll deposit.
- The support of the HSS corporate office, including but not limited to: a Director of Operations, Vice President of Aviation and Government Services, and multiple business partner groups (i.e. payroll, finance, accounts payable/receivable, training, HR, talent acquisition, IT, legal, subcontracts, 3rd party auditors, etc.).
- The local HSS on-site office; rent, utilities, IT, telecommunications, fax, office and administrative supplies, furniture, consumables, cell phones, and water to distribute to employees.
- One (1) company vehicle.
- Teammate uniforms.

3. PROVIDE YOUR PROJECTED SALES REVENUE, WITH A DETAILED ANALYSIS TO SUPPORT THE REVENUE PROJECTION.

As proposed: $(26,280 \text{ hours} \times \$22.11) + (8,760 \text{ hours} \times \$26.67) + (2,080 \text{ hours} \times \$32.00) = \$881,240/\text{year}$ in direct billable labor.

Alternate A: $(8,760 \text{ hours} \times \$23.61) = \$206,823.60$

Alternate B: $(2,080 \text{ hours} \times \$22.11) = \$45,988.80$

4. PROVIDE YOUR CURRENT D-U-N-S NUMBER. INDICATE HOW LONG YOU HAVE HAD THE NUMBER.

Since 1967, the HSS' Duns number is 07-341-5267.

5. PROVIDE YOUR CURRENT FEDERAL TAX ID NUMBER. INDICATE HOW LONG YOU HAVE HAD THE NUMBER.

Since 1967, the HSS' Federal Tax ID is 84-1098613.



INSPECTIONS, AUDITS, AND REPORTING

PROVIDE A STATEMENT CERTIFYING THAT YOU HAVE READ AND AGREE TO ABIDE BY THE ABOVE. IN ADDITION, PLEASE PROVIDE A WRITTEN NARRATIVE INDICATING HOW YOU INTEND TO COMPLY.

HSS has read and will abide by all terms and conditions regarding inspections, audits, and reporting contained in the sample agreements. In particular,

- 18 - Targeted Business Enterprise Participation.
- 24 - Maintenance of Records; Audits.
- 25 - Equal Opportunity Employment and Non-Discrimination Policy.

Additionally, HSS will make available upon the County's request proof of insurance and other such reports or documents as may be needed.



REFERENCES

REFERENCES

PROVIDE THREE REFERENCES WHERE YOU HAVE PROVIDED SERVICES OF A SIMILAR NATURE AND SCOPE WITHIN THE LAST THREE (3) YEARS. THIS IS MAY INCLUDE CONTRACTS THAT WERE CANCELED, TERMINATED OR NOT EXTENDED. PLEASE DESCRIBE SERVICES OR SOLUTIONS PROVIDED, NUMBER OF STAFF ASSIGNED TO THE CLIENT, NUMBER OF LOCATIONS SERVED FOR THE CLIENT, AND ANY ADDITIONAL INFORMATION NECESSARY TO UNDERSTANDING THE SCOPE OF WORK PROVIDED FOR THE CLIENT. INCLUDE NAME AND TELEPHONE NUMBER OF CONTACT PERSON(S), WHICH CAN BE USED AS REFERENCES FOR SERVICES PROVIDED AND SOLUTIONS PURCHASED. SELECTED REFERENCE ORGANIZATIONS MAY BE CONTACTED AND/OR VISITED PARTICULARLY AT OTHER AIRPORTS.

Contract: Denver International Airport

Project Dates: 1995 - 2024

Contact Person: Mark Inzana
Phone: (303) 342-2839
Email: Mark.inzana@flydenver.com

City and County of Denver
Denver International Airport
8500 Pena Blvd.
Denver, CO 80249

Contract: Portland International Airport

Project Dates: 2009 - 2019

Contact Person: Sharon Gordon
Phone: (503) 460-4500
Email: Sharon.gordon@portofportland.com

Port of Portland
7200 NE Airport Way
Portland, OR 97218

Contract: Oakland International Airport

Project Dates: 2015 - 2019

Contact Person: Douglas Mansel
Phone: (510) 563-2889
Email: dmansel@portoakland.com

Port of Oakland
Oakland International Airport
1 Airport Drive Box 45
Oakland, CA 94621



CONTRACT EXCEPTIONS

6.7 NO EXCEPTIONS TO RFP

RESPONDENT IS ADVISED THAT EXCEPTIONS TO ANY TERMS AND CONDITIONS CONTAINED IN THIS RFP OR THE CONTRACT MUST BE STATED WITH SPECIFICITY IN ITS RESPONSE TO THE RFP. THE POINTS AVAILABLE UNDER THIS CRITERION MAY BE DEDUCTED IF THE RESPONDENT TAKES EXCEPTION TO ANY LANGUAGE TO THIS RFP PACKAGE.

Exceptions Statement

Deleted text is shown with strikethrough and added text is shown with underlining.

SECTION 8 – OWNERSHIP OF DATA

Except for Contractor IP (defined below), ~~Upon~~ completion of the work or upon termination of the Contract, it is understood that all completed or partially completed data, drawings, records, computations, survey information, and all other material that Contractor has collected or prepared in carrying out this Contract shall be provided to and become the exclusive property of the County ("Deliverables"). Therefore, any reports, information and data given to or prepared or assembled by Contractor under this Contract shall not be made available to any individual or organization by Contractor without the prior written approval of County. Contractor IP comprises know-how, inventions, trade secrets, processes, methodologies, copyrights, and other intangible property that Contractor has developed, created or acquired prior to or during provision services pursuant to this Contract. Contractor grants County a perpetual, paid-up, royalty-free, non-exclusive, non-sublicensable, non-assignable license to County to use any Contractor IP that Contractor integrates with or incorporates into the Deliverables.

No reports or documents produced in whole or in part under this Contract shall be the subject of an application for copyright by or on behalf of the Contractor.



SECTION 13 – INDEMNITY/INSURANCE

INDEMNITY/LIMITATION OF LIABILITY

Contractor/Consultant agrees to the fullest extent permitted by law to indemnify, defend and hold the County harmless, including its agents, officers and employees, from and against all loss or expense, including costs and attorneys fees, by reason of claims made under worker's compensation law and/or liability for damages or loss including suits at law or in equity, caused by any wrongful, intentional, or negligent act or omission of Contractor/Consultant, or its agents which may arise out of or are connected with the activities or operations of Contractor/Consultant covered by this Agreement, including any claim or award of damages arising out of U.S. patent, trademark or copyright infringement, all without the County waiving any governmental immunity or other right available to the County under Wisconsin Law.

Contractor/Consultant shall indemnify and save the County harmless from any award of damages and costs against County for any action based on U.S. Patent or Copyright infringement regarding computer programs involved in the performance of the tasks and services covered by this agreement.

NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL NOR CONSEQUENTIAL DAMAGES RESULTING IN ANY WAY FROM PERFORMANCE OF ITS DUTIES STATED IN THIS CONTRACT WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. FURTHERMORE, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES NOT STATED IN THIS AGREEMENT, INCLUDING SPECIFICALLY, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

THE CUMULATIVE, AGGREGATE LIABILITY OF EACH PARTY FOR ALL CLAIMS ARISING FROM OR RELATING TO THE AGREEMENT, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, SHALL NOT EXCEED THREE MILLION DOLLARS (\$3,000,000).

INSURANCE

Contractor agrees to maintain policies of insurance and proof of financial responsibility to cover costs as may arise from claims for damages to property of and/or claims which may arise out of or result from Contractors activities, by whomever performed, in such coverage and amounts as required and approved by the County. Acceptable proof of such coverage shall be furnished to the County prior to commencement of activities under this agreement. A Certificate of Insurance shall be submitted for review for each successive period of coverage for the duration of this agreement, unless otherwise specified by the County, in the minimum amounts specified below.



Contractor shall provide evidence of the following coverages and minimum amounts:

<u>Type of Coverage</u>	<u>Minimum Limits</u>
Wisconsin Workers' Compensation and Employer's Liability & Disease	Statutory/Waiver of Subrogation \$100,000/\$500,000/\$100,000
General Liability	\$1,000,000 Per Occurrence
Bodily Injury and Property Damage to include: Personal Injury, Fire, Products and Completed Operations	\$2,000,000 Aggregate
Automobile Liability	\$5,000,000 Per Accident
Bodily Injury and Property Damage All Autos	
Professional Liability	\$5,000,000 Per Occurrence
Refer to Additional Provision A.1.	\$5,000,000 Aggregate
Cyber Liability	\$5-3,000,000 Per Occurrence
Refer to Additional Provision A.2.	\$5-3,000,000 Aggregate

Required limits of liability listed above may be achieved by Contractor through the use of primary insurance policies and umbrella/excess insurance policies.

Milwaukee County shall be named as an Additional Insured on the General, Automobile, ~~and Cyber Liability~~ policies as respects the services provided in this agreement. A Waiver of Subrogation shall be afforded to Milwaukee County on the Workers' Compensation policy. A thirty (30) day written notice of cancellation or non-renewal shall be afforded to Milwaukee County. Contractor will furnish a certificate of coverage naming Milwaukee County as an additional insured with a waiver of subrogation on the Contractor's CGL, auto policy and excess policies, which evidenced coverage shall be primary and non-contributory to any other coverage available to Milwaukee County.

The insurance specified above shall be placed with a Carrier approved to do business in the State of Wisconsin. All carriers must be A rated or better per AM Best's Rating Guide. Any requests for deviations from or waivers of required coverages or minimums shall be submitted in writing and approved by Milwaukee County's Risk Manager as a condition of this agreement.

SECTION 14 – LIQUIDATED DAMAGES

The parties acknowledge and agree that the services required by this agreement are necessary for the County's safe and secure operation of GMIA as an international airport, as well as the



County's compliance with its federal and state airport security obligations. The parties also acknowledge and agree that the damages resulting from Contractor's failure to perform the required services are difficult to quantify but that, notwithstanding this difficulty, the liquidated damages amounts contained in this paragraph are fair and reasonable estimates of the injury that the County will suffer as a result of Contractor's failure to perform the required services or its breach of this agreement, to the County personnel to provide replacement services, and to search for and obtain replacement services. Accordingly, if Contractor fails to perform the services required by this agreement or otherwise breaches any of its obligations in the times specified in this agreement, then Contractor shall, in place of actual damages, pay the County liquidated damages in the amount of ~~\$2,625~~ \$1,500 for each 24 hour period and for each security post for a maximum of ~~\$40,540~~ \$6,000 per 24 hour period/day in which it has failed to perform the required services or is in breach of any of the terms of this agreement. Contractor shall also be liable for liquidated damages if the County terminates this agreement for cause or because of Contractor's default until such time as the County is reasonably able to otherwise obtain the required services. The liquidated damages specified in this section shall be in addition to any other damages or costs provided by any other provision of this agreement or any other legal remedies available to the County.

SECTION 28 – NOTICES

Notices to County provided for in this Contract shall be sufficient if sent by Certified or Registered mail, postage prepaid, addressed to (Airport Public Safety & Security Manager, General Mitchell International Airport, 5300 South Howell Avenue, Milwaukee, Wisconsin 53207), and notices to Contractor shall be sufficient if sent by Certified or Registered mail, postage prepaid, to (Vice President Aviation and Government Services, HSS, Inc., 9900 South Broadway, Suite 100, Denver, Colorado 80209), or to such other respective addresses as the parties may designate to each other in writing from time to time.

SECTION 35 – ADDITIONAL CONTRACT TERMS

~~**Guaranteed Most Favorable Terms.** Contractor certifies and agrees that all of the prices, terms, warranties and benefits granted by Contractor herein are comparable to or better than those offered by Contractor to other State and Local Government customers contracting under the same material terms and conditions. As used herein, material terms and conditions include those terms related to the execution of this contract for services procured under this contract and any related pricing. Should Contractor announce a general price reduction or make available to other State or Local Government customers more favorable terms or conditions with respect to any of the services contained in the SOS, such prices, terms and conditions will be made available to Milwaukee County upon the date the general price reduction or more favorable terms and conditions become effective.~~



COST PROPOSAL

RESPONDENTS MUST SUBMIT AN ANNUAL PRICING MODEL FOR THE PROPOSED SERVICES FOR A 3-YEAR CONTRACT WITH UP TO TWO (2) OPTIONAL 1-YEAR RENEWALS. PRICING MUST BE COMPREHENSIVE FOR THE PROPOSED SERVICES, AND MUST INCLUDE IMPLEMENTATION, MIGRATION OF DATA (IF NEEDED), ONGOING COSTS, AND TERMINATION COSTS, IF ANY. IN THE PRICING MODEL, THE FOLLOWING SHOULD BE CONSIDERED:

- COSTS NOT IDENTIFIED IN THE COST PROPOSAL WILL NOT BE ENTERTAINED DURING CONTRACT NEGOTIATIONS.
- ANY COUNTY STAFF INVOLVEMENT MUST BE CLEARLY IDENTIFIED IN THE VENDOR'S PROPOSAL SO THE COUNTY'S INTERNAL COSTS CAN BE IDENTIFIED

HSS has submitted the pricing model as requested. Additionally the information is included below.

POSITION	ESTIMATED HRS	BILLING RATE
SECURITY OFFICER	26,280	\$22.11
SUPERVISOR	8,760	\$26.67
ADMIN PROGRAM MANAGER	2,080	\$32.00

THE RESPONDENT SHOULD PROVIDE A BRIEF NARRATIVE (NOT LONGER THAN TWO PAGES) IN SUPPORT OF EACH COST PROPOSAL ITEM. THE NARRATIVE SHOULD BE FOCUSED ON CLARIFYING HOW THE PROPOSED PRICES CORRESPOND DIRECTLY TO THE RESPONDENT'S TECHNICAL PROPOSAL.

THE RESPONDENT SHOULD LIST AND DESCRIBE AS PART OF ITS COST PROPOSAL ANY SPECIAL COST ASSUMPTIONS, CONDITIONS, AND/OR CONSTRAINTS RELATIVE TO, OR WHICH IMPACT, THE PRICES PRESENTED ON THE COST SCHEDULES. IT IS OF PARTICULAR IMPORTANCE TO DESCRIBE ANY ASSUMPTIONS MADE BY THE RESPONDENT IN THE DEVELOPMENT OF THE RESPONDENT'S TECHNICAL AND/OR RESOURCE PROPOSAL THAT HAVE A MATERIAL IMPACT ON PRICE. IT IS IN THE BEST INTEREST OF THE RESPONDENT TO MAKE EXPLICIT THE ASSUMPTIONS, CONDITIONS, AND/OR CONSTRAINTS THAT UNDERLIE THE VALUES PRESENTED ON THE COST SCHEDULES. ASSUMPTIONS, CONDITIONS OR CONSTRAINTS THAT CONFLICT WITH THE COUNTY'S REQUIREMENTS ARE NOT ACCEPTABLE.

COST PROPOSAL NARRATIVE

The approach for a three-year firm fixed price requires the bidder to artificially increase the first-year price to the County of Milwaukee. The tradeoff is a third-year price is similar to the first-year price simulating very little annual price escalations. This approach may introduce artificial constraints to the County's budget in the first year but



provides relief to their third-year budget. If the County of Milwaukee were to accept a single year, firm fixed price with second and third-year escalations then the first year's price would likely be lower relative to a three-year firm fixed price.

If permitted to price the first year with the second and third years of the base award as negotiable escalations then the County of Milwaukee could likely recognize a lower relative, first year firm fixed price, assuming no material changes to scope and requirements.

If permitted to price the billing rates with subsequent yearly escalations, the County of Milwaukee might realize additional price reductions, since some risk is priced into a three-year firm fixed price. If annual bill rate price escalations were permitted some risk could be reduced to HSS and it may translate to lower priced total contract price overall.

The estimated hours for each position are driven by the requirements in the Request For Proposal (RFP) and based on HSS' historical actuals and understanding of the real-world needs at GMIA. HSS has detailed its Master Schedule staffing profiles elsewhere in this proposal (Figures 4, 5, and 7.1).

Currently the ratio of full-time to part-time security officers is split approximately 40% and 60% respectively. Although this is not a typical ratio observed at most of HSS' other airport client's sites, HSS is pleased to flexibly tailor our staffing model to best accommodate the needs and constraints of its teammates in the Milwaukee metropolitan area.

The operational cost drivers impacting HSS' cost proposal, and incorporated into the pricing, are listed elsewhere in this proposal (i.e. page 33, FINANCIAL CAPABILITY, section 2). Without any supporting data, it is assumed that any lease costs for the local office and associated cost for utilities will not change materially. It is assumed that if the County of Milwaukee desires at any time to increase the scope of work to include additional security services or administrative support services that a modification would be issued and HSS would be permitted to price a stand-alone proposal.

A constraint of the firm fixed price of the cost proposal is that HSS cannot predict any local or state mandated out-of-cycle, accelerated implementations, or newly legislated increases to local minimum wages or living wages or comparable drivers of local labor market forces. Therefore this HSS cost proposal assumes no unusually large or accelerated phasing-in of a local or state mandated minimum wage increase, or locally mandated alternative 'living wage' increase, impacting the local teammates. This is an unforeseen and external constraint that HSS cannot control. HSS assumes that we would be permitted to escalate wage rates via an amendment with the County of Milwaukee commensurate to the local or state increases. It is assumed to be fair that a wage rate escalation of the delta between current wage rates and the externally imposed ones would be permissible and approved. It is assumed to be fair that a commensurate bill rate escalation would be permissible and approved via a contract modification amendment.



ADDITIONAL INFORMATION

RESUMES OF KEY PERSONNEL

CHELSEA YORK, ADMINISTRATIVE PROGRAM MANAGER

AND PROGRAM MANAGER JOB DESCRIPTION

LARRY MCNEILL, VICE PRESIDENT, AVIATION & GOVERNMENT SECURITY

SUSAN WHELAN, DIRECTOR OF OPERATIONS

EVIDENCE OF SAFETY ACT COVERAGE

AUDITED FINANCIALS FROM THE LAST FOUR (4) YEARS



RESUME OF CHELSEA YORK, ADMINISTRATIVE PROGRAM MANAGER

Chelsea York

PROFESSIONAL SUMMARY SKILLS

- Customer and Personal Service
- Active Listening
- Critical Thinking
- Coordination
- Time Management
- Complex Problem Solving
- Judgment and Decision Making
- Instructing
- Management of Personnel
- Operation Monitoring
- Management of Material Resources
- Management of Personnel

EXPERIENCE

Program Manager, HSS, Inc
Milwaukee, WI

Jun 2016- Present

Provide overall supervision of subordinates; develop, implement, and manage security program activities

- Fulfill the Responsibilities, Qualifications, Competencies, and applicable Addenda of a Security Officer, a Security Shift Supervisor
- Manage site master schedule to include the daily scheduling all assigned security personnel
- Manage time card processing and payroll accuracy
- Manage overtime utilization
- Provide employee involvement/security awareness educational programs and workshops
- Identify and develop program issues impacting security operations
- Analyze department functions and make suggestions, recommendations, and/or changes when appropriate to increase effectiveness and productivity
- Review reports and situations for potential negative impact
- Provide other duties at the direction of or in the absence of the HSS Administrative Supervisor
- Attend management meetings and Living Leadership seminars as scheduled
- Perform other duties at the direction of or in the absence of the District or Regional Manager

Security Supervisor, HSS, Inc.
Milwaukee, WI

- Supervise or provide leadership to subordinate security professionals, performing activities, such as training, assigning work, evaluating performance, or disciplining.
- Identify, investigate, or resolve security breaches.
- Monitor and ensure a sound, ethical environment.
- Respond to emergencies, assist in client requests, following emergency response procedures.
- Implement security standards, policies, and procedures.
- Communicate security status, updates, and actual or potential problems, using established protocols.
- Train new security personnel in security rules and procedures.
- Write or review security-related documents, such as incident reports, proposals, daily activity reports, escort and placard logs, and construction/post orders.
- Attend meetings impacting security operations.
- Supervise anywhere between 2 and 12 security personnel at a given time.



RESUME OF CHELSEA YORK (CONTINUED)

Consultant, Josef's Landscaping, LLC
Greendale, WI

Mar 2013-Nov 2014

- Maintaining customer landscapes by mowing, weed whacking, shrub trimming, planting, gardening and any other needs requested by the customer.
- Measure and assess customer satisfaction.
- Recommend improvements to existing or planned landscape projects.
- Design, evaluate, and recommend landscape plans.
- Develop and implement advertising ideas.

Loss Prevention Officer, Kohl's
Muskego, WI

Nov 2011-May 2012

- Duties included remote televised surveillance (CCTV), floor surveillance, identifying and apprehending thieves, return frauds, dishonest associates and essentially anything and anyone that posed a threat to the company's assets, employees or customers.
- Write up reports, go through the daily media and look for discrepancies in the returns, voids and other receipts from the previous day's transactions.
- Investigate internal and external thefts.
- Identify potential for loss and develop strategies to eliminate it.
- Analyze retail data to identify current or emerging trends in theft or fraud.
- Collaborate with law enforcement to investigate and solve external theft or fraud cases.
- Recommend improvements in loss prevention programs, staffing, scheduling, or training.

EDUCATION

Anthropology, Marquette University

Studied Anthropology for two years at Marquette University

High School Diploma

CERTIFICATIONS

ACE Certification through AAEE

VOLUNTEER ACTIVITIES

WORS- Wisconsin Off Road Series (A mountain biking series in which I competitively race. I am a member of the USA Cycling Association and a member of the WORS family).

Participate in parish activities such as assisting at soup kitchens, church functions, donation drives, etc.

**JOB DESCRIPTION**

JOB TITLE	Program Manager	FLSA	Exempt
JOB CODE		PAY GRADE	
SALARY RANGE	\$xx,xxx - \$xx,xxx annually		
DIVISION/ DEPT	Aviation & Government Services (AGS)	TRAVEL	15%
REPORTS TO	Director or Sr. Director	APPROVED BY	
DIRECT REPORTS	May have one or more of the following: Assistant Program Manager, Supervisors, Schedulers, Trainers, Security Officers, Customer Service Agents	EFFECTIVE DATE	11/25/2016

POSITION SUMMARY

- Interface with clients to meet their operational needs and maintain contract compliance
- Fulfill the Responsibilities, Qualifications, and Competencies of a Security Officer and a Security Shift Supervisor
- Conduct off-hours inspections * Develop and update Facility Competency Tasks
- Manage site master schedule to include the daily schedule of all assigned personnel
- Manage time card processing and payroll accuracy
- Manage overtime utilization
- * Provide employee involvement in security and customer service awareness educational programs and workshops
- Manage and champion employee engagement efforts to include professional development in iLead and other corporate initiatives
- Analyze department functions and make suggestions, recommendations, and/or changes when appropriate to increase effectiveness and productivity
- Review reports and situations for potential negative impact and trends
- Interact with various components and leaders of the facility to implement effectively the security and customer service programs
- Identify program issues and potential negative situations; develop and formulate possible solutions; report to appropriate leaders possible countermeasures
- Maintain a positive working relationship with the client's Security and/or contract representative, local, state and federal public safety and regulatory agencies, and HSS Administration
- Participate on committees and interface with appropriate airport departments
- Oversee the HSS security and/or other program (e.g., Total Queue Management) function; maintain HSS supplies and forms
- Ensure incidents and applicable paperwork are properly documented and followed up
- Attend Living Leadership conferences and meetings as scheduled
- Perform other duties at the direction of or in the absence of the District or Regional Director.



Qualifications:

- Prefer Bachelor's Degree in Aviation, Criminal Justice or other related discipline
- Prefer American Association of Airport Executives (AAAE) Certified
- Member(CM), AAAE Airport Certified Employee (ACE) -- Security, ASIS affiliation and CPP certification preferred
- Obtain applicable jurisdictional security license(s); may require motor vehicle driver's license; successfully complete AGS Officer training, HSS and Facility New Employee Orientation upon employment with HSS. Ability to obtain client/contract specific licenses or certifications which may include, but is not limited to, CPR/First Aid, AAAE CM, etc.

Experience:

- Minimum of 2 years of managerial and supervisory experience and background in management in a similar service setting with 25 or more security officers/customer service agents and multiple work sites
- Managerial experience with budget, scheduling and computer based systems
- Must be available to be contacted 24 hours per day and respond to the Airport, when required, within one hour of notification.
- Require adequate public speaking skills to participate in and/or lead a committee meeting; require writing skills to document security program and periodic surveys; have general computer skills to include ability to learn VISION labor management software and E-SRT; manage multiple tasks simultaneously; manage and motivate employees

HSS will consider all qualified applicants without regard to race, color, religion, sex, national origin or any other status protected by law.



ADDITIONAL INFORMATION

Larry McNeill

110 Brierfield Drive, Madison, MS 39110

Phone: 601-605-4659 • L.McNeill@GMX.com • <https://www.linkedin.com/in/mcneilllarry/>

PROFESSIONAL SUMMARY

- Have delivered reliable, global security solutions to government, military, and commercial customers in 23 countries.
- A seasoned, business leader with 20 years of proven results in program management, large-scale missile defense development and operations, engineering, security, risk management, strategic planning, and business development.
- *16 years of successful achievement directly supporting the national security mission critical programs and customers.*
- Extensive track record of progressive advancement and successful experience executing global defense business strategies that have delivered significant sustainable growth and operational efficiencies in leading enterprises.
- *Clearance - Active Secret clearance. Top Secret eligible. Current SSBI. Have held a clearance continually since 1996.*

TESTED & PROVEN LEADERSHIP ON DEVELOPMENT, OPERATIONS, AND MAINTENANCE PROGRAMS

- Accepted a stretch assignment to implement and execute an Insider Threat Program compliant with DoD Directive 5205.16 and Executive Order (EO) #13587 for an 8,000-person business group spanning operations across 36 countries. Hand selected to lead the corporate-wide Insider Threat Working Group and resulting corporate investigations reporting to the Senior Empowered Official (SEO) and corporate Director of Security.
- Executive Program Manager accountable for P&L, schedule, technical performance, deliverables, quality and customer relations on an \$88M/yr portfolio of L-3 international security and aviation programs across 11 OCONUS sites; including C4I and head-of-state missions. Responsible for a total of \$266M of international business on contract.
- Senior Organizational Manager at a Missile Defense Agency (MDA) state-of-the-art, Protection Level 1 (PL-1) strategic weapon facility (i.e. Missile Defense Integration & Operations Center (MDIOC)) providing diverse C2 development and operations capabilities. Accountable for a portfolio of complex, task orders/delivery orders on the MDA's system-of-systems, multi-site \$2.5B Joint Research & Development Contract (JRDC) with 1,300 personnel.
- Senior Operations & Engineering Manager for a diverse group of combat operations customers; COCOMs, U.S. embassies, and intelligence agencies. Lead 145 globally dispersed personnel delivering operational intelligence, C4I analytical services, IT/cyber security, mission planning, disaster assistance, and tactical assistance teams.
- Site management of a government owned, contractor operated (GOCO) COCOM Battle Lab performing rapid prototyping, development, testing, and operational validation of newly developed classified MDA & SMDC combat support systems. Delivered advanced, short-cycle, space, missile defense, and C4I capabilities to the warfighter.
- Program management/site management of the complex, high fidelity, Cheyenne Mountain Training System (CMTS) and GMD Fire Control & Communications (GFC/C) Training System. The CMTS and GFC/C consists of training simulators used to certify US and Canadian NORAD/CMD cadres performing real-world missile defense operations.

EDUCATION & PROFESSIONAL DEVELOPMENT

Carnegie Mellon University	Lockheed Martin Executive Management Strategies & Practices Program (company tailored Executive MBA studies)
Missile Defense Agency (MDA)	Ballistic Missile Defense System (BMDS) Staff Officer, Ground-based Midcourse Defense (GMD) Fire Control & Communications (GFC/C) Standalone Trainer
Naval Postgraduate School – Center for Homeland Defense and Security (CHDS)	National Security and Counterterrorism topics
Georgetown University, Universiteit Leiden	Counterterrorism topics
FEMA – Emergency Management Institute	Emergency Mgmt, Continuity of Operations, Critical Infrastructures
Cheyenne Mountain Directorate (CMD)	Combatant Commanders Integrated Command & Control System (CCICS2) Combined Task Force (CTF) Test Manager
Lockheed Martin Corporate Training	Program Management Development Program (PMDP) Systems Engineering/System Architect track (SEMP, IMP, IMS, EVM)
Evangel University	Bachelors - Telecommunications

**KEY EXPERIENCE****HSS – Aviation & Government Services (2018 – Present)****Vice President; Aviation & Government Services (2018 – Present)**

- Accountable for results, division P&L, operational performance, and leadership and development of 1,500 security officers protecting what we are entrusted to protect; airports, critical infrastructures, and government facilities.
- Accountable for the strategic retention, growth and financial performance of HSS's existing and new aviation and government security client accounts. Strategically position the company for new aviation and government business.
- Accountable for establishing and continually improving the business division's aviation security management structure, processes, and staff.
- Assume key role in defining and executing the company's aviation security strategic priorities and renewal activity.
- Continually assess and execute a professional development program for the aviation security management division.

L3 Technologies – Aerospace Systems (2012 – 2018)**Executive Program Manager; Insider Threat Program and Corporate Investigations (2015 – 2018)**

- Accepted a stretch role to implement an Insider Threat Program compliant with DoD Directive 5205.16 and Executive Order (EO) #13587 for an 8,000-person division with sensitive and classified security operations in 36 countries.
- Lead Insider Threat and Counter Intelligence case management and conduct any resulting corporate investigations for high-profile insider threat/counterintelligence efforts. Lead investigator for corporate investigations that have reported to the following: (1) L-3 Board of Directors, (2) corporate General Counsel and Head of Litigation, (3) corporate Ethics executive, (4) corporate Security executive, (5) SEO, (6) Defense Security Service (DSS) Counter Intelligence, (7) law enforcement, and (8) foreign security services/law enforcement, as appropriate.
- Based on findings, present initial potential insider threats and indicators/artifacts to the executive Insider Threat Committee for approval to open a case and initiate a formal investigation. If approved, conduct investigation using internal sources and external, open source, publically available information. Coordinate case management with the SEO, legal, and HR. Coordinate and liaison with corporate litigation and law enforcement, as appropriate.
- **Achievements:**
 - Excerpt from the Insider Threat Program Senior Empowered Official's comments in his 2016 annual performance evaluation, "Larry continues to deliver services...and products that are advancing the state-of-the-art in security; across all of the L-3 [corporation] in the new emerging domain [of] Insider Threat Mitigation and Program Management. He is recognized as a thought leader and cross-enterprise subject matter expert in this domain; including recognition by DSS CI and corporate Security [executives]...his work is in demand across the company."
 - Based on the recognized insider threat expertise and risk reducing results in high profile corporate insider threat/counterintelligence investigations led, he was hand selected to stand-up and lead the corporate-wide Insider Threat Working Group formed in 2016 and reporting to the SEO and corporate Director of Security.

Executive Program Manager; International Security & Aviation Programs (2012 – 2018)

- Accountable for the P&L of an \$88M/yr portfolio of international security and aviation programs and its growth. Provide security and aviation mission capabilities globally; including transportation, Head of State, and special mission aircraft.
- Lead a team of program managers, country managers, general managers, and >300 personnel accountable for all phases of international aviation and security programs from inception through completion. Allocate resources. Establish milestones and monitor adherence to plans and schedules. Identify program problems, craft results-oriented solutions, communicate with stakeholders, and implement resolutions. Align technical and functional teams to contribute to the customer's mission success and achieving top level, internal organizational goals. Identify, monitor, and manage program risks; balancing resources against impact.
- Coordinate PMO and site activities in accordance with the statements of work, standard operating procedures, OEM specifications, operating budgets, internal risk controls, and financial terms and conditions.
- Coordinate services from functional support organizations (HR, legal, finance, business operations, contracts, subcontracts, business development, IT, shared services, etc.) to achieve program objectives.
- Top level ownership for the preparation of proposals, business plans, proposal work statements, operating budgets, staffing profiles, and terms/conditions of contracts and subcontracts within my portfolio of programs.
- Build effective relationships and serve as the primary senior leadership interface with customers and industry.
- **Achievements:**
 - Exceeded all financial/operational/quality program metric goals from 2012 to present on all programs under leadership; sales, bookings, EBIT, cash, operating margins/return on sales (ROS). Achieved operational efficiencies without degrading: (1) technical performance, (2) customer satisfaction, (3) contractual deliverables, (4) nor slipping mission readiness rates for aircraft fleets and C4I systems.



- Increased program portfolio's EBIT by 25%. Responsible for 63% of the EBIT for the \$1.2B/yr business unit.
- Increased program portfolio's ROS from 28% to 35%, salvaged a \$13.6M performance penalty in first year.

Lockheed Martin – Integrated Solutions & Global Services (1996 – 2012)

Senior Operations & Engineering Manager (OEM); Combat Support Operations (2011 – 2012)

- As Operations & Engineering Manager led 145 employees in 12 countries to provide operational intelligence, C4I analytical services, O&M, field engineering, and IT/cyber security services to six COCOMs, multiple U.S. embassies, and various intelligence agencies. Delivered mission critical, real-world, embedded combat support capabilities.
- Crafted workforce strategies aligned to customer needs and organizational goals. Collaborated closely with executive leadership, HR, finance, and lines of business drafted technology roadmaps and capabilities analysis to drive talent acquisition, talent management, compensation planning, core capabilities and training forecasting. Conducted performance management, conflict resolution, and strategic retention planning across the international business unit. Monitored adherence to company plans and government policies, procedures and regulations to assure compliance.
- **Achievements:**
 - In 2011 gained 159% of on-contract organic growth on the Theater C4I Support Center (TCSC) contract.
 - The Information Assurance team supporting USSOUTHCOM HQ was awarded the 2011 DoD Chief Information Officer (CIO) Information Assurance Award and the Lockheed Martin Cyber Security Center of Excellence "Best Information Assurance Team" Award.

Senior Organization Manager / Deputy Program Manager / Site Manager; Missile Defense Agency (MDA), Missile Defense Integration & Operations Center (MDIOC) (2005 – 2011)

- Served as an Organization Manager performing technical and operational leadership with contract performance and financial management responsibilities on the Joint Research & Development Contract (JRDC), a large Missile Defense Agency (MDA) integration and operations program with a contract value of \$389M/yr with 1,300 local personnel. Served as the organization's primary interface with MDA customers (Govt & Military) and senior leadership leading operations support teams for the following: (1) program/project management, (2) operations, (3) modeling and simulation, (4) integrated ground and flight tests, (5) wargames, exercises, and training, (6) mission-critical operations, (7) secure IT infrastructure, (8) systems engineering, (9) systems integration, (10) risk management, (11) cost management (i.e. EVM, CAM, ROM, BOE), and (13) integrated master plans/schedules (i.e. IMP/IMS).
- Served as the Deputy Program Manager and Site Manager for the Lockheed Martin-specific contract performance and financial management responsibilities on a \$31M/yr subcontract on the same MDA program. Achieved high subcontractor award fees (i.e. 96% & 101%) controlling costs, schedule, performance, quality and customer relations on the Prime contractor's \$2.5B contract. Led a multi-disciplined and cross functional team of 175 geographically disperse, technical MDA personnel (70 different labor codes) providing matrixed, full lifecycle engineering, IT, and operations and maintenance services on a high availability, large command and control missile defense program.
- **Achievements:**
 - Led organic on-contract growth at a CAGR of 154% over four years. Award Fees were consistently 5% points higher than all other peer Program Managers on this \$2.5B program over six consecutive years.
 - Hand selected to lead the team that delivered the initial operating capability (IOC) of the Joint Functional Combatant Command for Integrated Missile Defense (JFCC IMD) Operations Center from which to manage the weapon system mandated by National Security Presidential Directive #23. Handed a high-profile red program and delivered a fully mission capable system on time and under budget.
 - Achieved mission success on 16 GMD integrated flight tests at an approximate cost of \$100M per test.



Susan M. Whelan, C.M., ACE, I.A.

16049 Hedgeway Drive, Parker, Colorado 80134

Phone: (443) 306-7041

whelan051665@hotmail.com

Professional Experience

HSS, Inc. Denver, Colorado

Director of Operations – Aviation & Government Services – 2016 - Current

Directly oversee contract security operations at six U.S. commercial airports, and support an additional four airports and three government locations, with an employee base of over four thousand teammates. Responsible for providing the necessary leadership to the Program Managers and their team members through corporate support, mentoring, accountability, and profitability. Maintains a dual focus on operational and administrative functions while consistently developing new training objectives and opportunities which incorporates current events and emerging threats.

Essential duties: provide corporate oversight of airport site accounts including contract adherence and compliance, pay and leave administration, team member morale, and accountability. Monitors daily, weekly, monthly, and ad hoc reports for invoicing, overtime, employee time and attendance, employee scheduling, accounts receivable/payable tracking, developing and producing reports, presentations, policy, and procedures and contract compliance. Develop and implement training drills, exercises, risk assessments, and the tracking of employee training compliance. Develop and prepare responsible bids for RFP's for future opportunities.

Champions a positive team member culture through the leading-by-example mantra, encouraging an "I Feel Valued" atmosphere, and recognizing employees through personal interactions and rewards programs.

Maryland Aviation Administration, Baltimore-Washington Thurgood Marshall Airport (BWI)

Manager, Terminal and Landside Operations - 2007-2016

Responsible for leading four airport management supervisors and fourteen airport management assistants in a 24-hour 7 day a week, emergency essential division at a large hub Part 139 airport. Directly involved in the management, budgeting, and monitoring of multiple contracts totaling over twenty million dollars per year, including the two largest airport contracts: janitorial and landside snow removal. In charge of the day to day safe and efficient operation of the over two million square foot airport terminal, twelve parking lots, three parking garages, the roadways surrounding the airport and the fifteen outer buildings which are controlled by the Maryland Aviation Administration. Actively



RESUME OF SUSAN WHELAN (CONTINUED)

supervises the daily monitoring and coordination of airport construction activities, and the creating of work orders, using Maximo, of noted maintenance issues.

Directs, leads, interviews, trains, manages, and supports staff; including scheduling daily productivity to ensure Part 139 and Part 1542 compliance, as well as employee inspection schedules and leave requests. In addition to the oversight of the Terminal and Landside operation, I am directly responsible for the management of the customer service Pathfinder Program, which consists of four coordinators and one hundred and eighty volunteers, and the Wayfinding and Signage Office. Conducts and reports the annual employee-appraisals; these include recommendations for increased performance, employee morale, disciplinary actions and recommendations for pay rate increases.

Actively involved with the initial design and planning for the contract scope for the automated passport control system (APC), and the management of the executed APC contract for enhanced customer service for our arriving international passengers.

Additional Professional Experience

United Airlines, BWI Marshall Airport - Lead Ramp Agent - 1998-2007

Henson Airlines, BWI Airport - Operations Agent - 1985-1989

Education

Embry-Riddle Aeronautical University – Master of Science, Human Security and Resilience - Expected 2019

Embry-Riddle Aeronautical University – Bachelor of Science, Technical Management

Community College of Baltimore County – Associates of Applied Science, Aviation Management

Honors: *Cum Laude*

Certifications

American Association of Airport Executives – Certified Member (C.M) 2013

American Association of Airport Executives - ACE – Airport Security 2017

American Association of Airport Executives – Airport Security Coordinator (ASC) 2017

Information Assurance (I.A.4011) - National Security Agency 2014

FEMA – Emergency Management Institute – ICS 100, 200, 300, 700, 800, 907

Community College of Baltimore County – Certification of Airport Management 2006



August 23, 2018

Sent Via Email Only
Lacy.Parson@milwaukeecountywi.gov

Ms. Lacy Parson
Department of Administration Services
Procurement Division
Milwaukee County

Re: Contract Compliance-SAFETY Act Designation and Certification document

CONFIDENTIAL and NOT TO BE RELEASED

Dear Ms. Parson

HSS has had SAFETY Act coverage since 2008. This DHS program has been evolving over the years since its inception post-9/11. The original intent of the program was to provide additional protections for manufacturers and vendors that had slowed down their development of technology because of liability concerns, after the subsequent lawsuits after 9/11. Several years after the SAFETY Act program was implemented, security entities, like HSS, that provide "security services" sought and were awarded SAFETY Act coverage.

The evolution of the program has changed some of the awards to the various "technology" companies. HSS reapplied for SAFETY Act coverage in late 2017 and received Developmental Testing & Evaluation (DT&E) SAFETY Act Designation for its security services, which the company provides through its Aviation Security Division. The DT&E Designation provides the following tort protections to HSS if its security services are involved in an act of terrorism covered by the SAFETY Act: elimination of punitive damages claims, a requirement that such lawsuits be filed exclusively in federal court; and a cap on liability damages in the amount of insurance specified in HSS' SAFETY Act coverage decision. Although DT&E is different than the previous Designation and Certification that was awarded, DT&E coverage continues to provide a derivative benefit to HSS's customers. This is because as long as HSS retains any level of SAFETY Act coverage, the SAFETY Act creates an exclusive cause of action that can only be brought against the "Seller" of the approved Technology (in this case, HSS).

In addition to the type of coverage change, DT&E is for a shorter duration and will require HSS to provide follow up information to DHS on a periodic basis. When researching on the DHS SAFETY Act website, we have found that many of the security service technologies (security companies) previously awarded Designation or Designation and Certification have either not been re-awarded for some of their technologies (alarm response, vendor inspections, etc.) or have the DT&E award at present. Please be assured that our SAFETY Act coverage remains intact with no further efforts on behalf of the airport, HSS bears the burden of periodic reporting.

In response to the RFP request for documentation of our SAFETY Act coverage, attached please find the following documentation:

HSS Certificate Headquarters
900 South Broadway, Suite 100
Denver, CO 80209
T: 303.603.3000
W: hss-us.com

Safe in the knowledge



- Letter to HSS Inc. from Department of Homeland Security (DHS) dated Oct 30, 2017 confirming Certificate of SAFETY Act Developmental Testing and Evaluation Designation (DT&E) (confidential information redacted).

As outlined above, during our SAFETY Act renewal process in 2017 DHS called for new requirements to maintain designation and certification for many of the prior awardees. While we are in the process of completing those new requirements, DHS has awarded HSS Inc. the DT&E Designation.

- Letter to HSS Inc. from DHS dated February 12, 2018 confirming our selection of eight identified locations to be covered by the DT&E. One of the eight selected locations by HSS Inc. was General Mitchell International Airport.

If you should have any questions, please do not hesitate to contact me.

With very best regards,

A handwritten signature in black ink, appearing to read 'Janet C. Bressler', with a long, sweeping horizontal line extending to the right.

Janet C. Bressler
Chief Administrative Officer



U.S. Department of Homeland Security
Washington, DC 20528

**Homeland
Security**

October 30, 2017

**CERTIFICATE OF SAFETY ACT DEVELOPMENTAL TESTING AND EVALUATION
DESIGNATION**

Mr. Samir Singh, Esquire
HSS Inc.
900 S. Broadway, Suite 100
Denver, Colorado 80209

Re: Security Services
Application ID #: (F-192-D) C-HSSFIRST-001-2-REN2

Dear Mr. Singh:

The Department of Homeland Security (the "Department") has completed its review and evaluation of your application relating to Security Services, described in Exhibit A (the "Technology"), pursuant to the Support Anti-terrorism by Fostering Effective Technologies Act of 2002, 6 U.S.C. §§ 441-444, (the "SAFETY Act"), and the Regulations Implementing the Support Anti-terrorism by Fostering Effective Technologies Act of 2002, 6 C.F.R. Part 25, 71 Fed. Reg. 33147, 33159 (June 8, 2006) (the "Regulations"). Pursuant to Section 25.3 of the Regulations, the Secretary of the Department (the "Secretary") has delegated responsibilities, powers, and functions under the SAFETY Act, except the authority to determine an act is an Act of Terrorism for purposes of Section 444(2) of the SAFETY Act, to the "Under Secretary for Science and Technology of the Department of Homeland Security or the Under Secretary's designees."

To encourage the development of promising anti-terrorism technologies, Section 25.4(f) of the Regulations provides for the issuance of Developmental Testing and Evaluation ("DT&E") Designations for technologies which show promise but require further field testing. Your Technology is such a technology. After thoroughly reviewing the analysis of the Department's Office of SAFETY Act Implementation related to your application, I have determined the Technology satisfies the criteria for a DT&E Designation set forth in Section 25.4(f) of the Regulations. Accordingly, I hereby issue a DT&E Designation for the Technology to HSS Inc. (the "Seller").

TERMS AND CONDITIONS

- **Description of Technology.** This DT&E Designation applies only to the Technology described in Exhibit A (attached).



- Seller of the Technology. HSS Inc., a Colorado corporation, is the Seller of the Technology for purposes of the Regulations (including Section 25.2 of the Regulations), and this DT&E Designation.
- Term of Designation. This DT&E Designation is effective on the date of this Certificate of DT&E Designation (the “Designation Issuance Date”), and will terminate on November 30, 2020, unless it is terminated earlier in accordance with the Regulations (in which event the earlier date of termination shall be deemed to be the “Designation Termination Date”). The Seller may apply for Designation and Certification at any time.
- Earliest Date of Sale. For purposes of Section 25.7(c) of the Regulations, the earliest date of sale of the Technology to which this DT&E Designation applies is September 11, 2001 (the “Earliest Date of Sale”). This DT&E Designation applies, and will apply, to all sales of the Technology by the Seller that were or are consummated at any time during the period commencing on the Earliest Date of Sale and ending on the Designation Termination Date.
- Insurance.
 - Liability Insurance Required: Pursuant to Section 443(a) of the SAFETY Act and Sections 25.5(a) and (g) of the Regulations, the Seller shall obtain or maintain the following liability insurance for otherwise compensable third-party claims arising out of, relating to, or resulting from an Act of Terrorism when the Technology has been deployed in defense against, response to, or recovery from such an act:
 - The Seller shall obtain and maintain, on an annual basis, third-party liability coverage for Acts of Terrorism with a per-occurrence level of no less than \$21,000,000.
 - For claims not covered by policies the Seller obtained and maintained due to exclusions, the Seller will have no liability or a liability less than \$21,000,000.
 - Policy Erosion: The Seller shall report to the Office of SAFETY Act Implementation any material change to the Seller’s required liability insurance policies, including any event which may reduce the liability insurance amounts that would be available to satisfy third-party claims in the event of an Act of Terrorism. Material reductions in the Seller’s current policies due to other claims, defense costs, and other factors shall also be reported.
 - Insurance Certification: Pursuant to Section 25.5(h) of the Regulations, within 30 days after the Designation Issuance Date, the Seller must certify in writing to the Under Secretary that the Seller has obtained and will maintain the liability insurance this Designation requires. In accordance with the Department’s interpretation of the SAFETY Act and the Regulations, I have

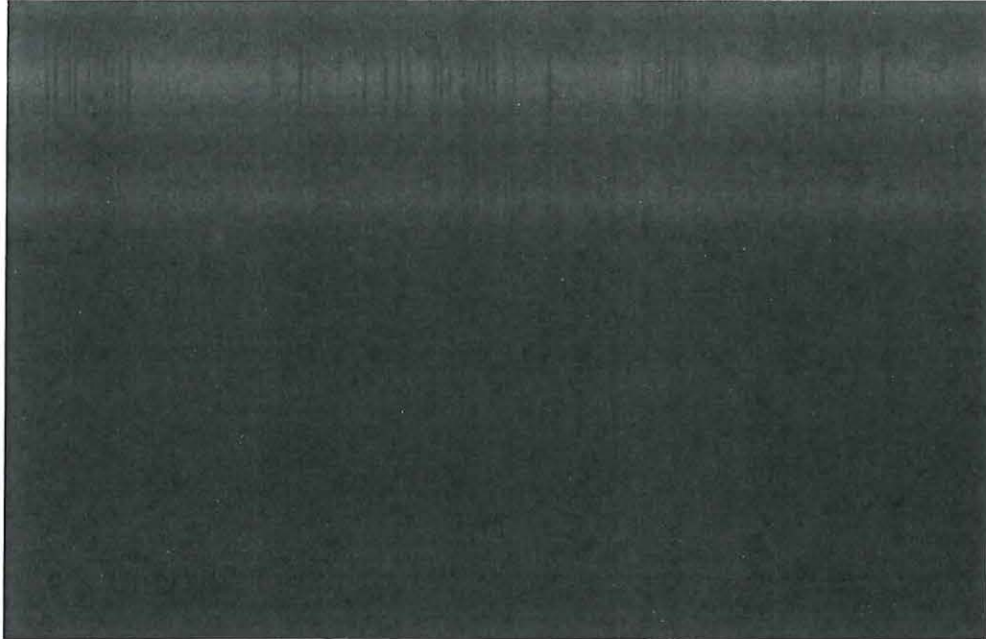


determined that during the term of this Designation none of the entities specified in Sections 443(a)(3)(A) and (B) of the SAFETY Act and the corresponding provisions in the Regulations (Section 25.5(c)) has or will have any "potential liability for involvement in the manufacture, qualification, sale, use, or operation of Qualified Anti-Terrorism Technologies deployed in defense against, response to, or recovery from an Act of Terrorism" (within the meaning of Section 443(a)(3) of the SAFETY Act and Section 25.5(c) of the Regulations), and therefore it is not mandatory that the liability insurance required above protect such entities.

- o Term of Insurance: Pursuant to Section 25.5(g) of the Regulations, the liability insurance this Designation requires will be in effect for one year from the Designation Issuance Date. The Under Secretary or the Under Secretary's designee may review and revise the liability insurance required in accordance with Section 25.5(b), including an updated evaluation of risk, Technology effectiveness, and insurance availability cost data. If the Under Secretary or the Under Secretary's designee reviews and revises the required amount of liability insurance, the Seller shall have a continuing obligation, pursuant to Section 25.5(h) to certify to the Under Secretary in writing that the Seller has obtained the revised required insurance. If the Under Secretary or the Under Secretary's designee does not review and revise the liability insurance this Designation requires, the current liability insurance required will extend for one year on the anniversary of the Designation Issuance Date. Further information and procedures may be obtained by contacting the Office of SAFETY Act Implementation.
- Act of Terrorism. The SAFETY Act provides liability and risk management protections to Sellers of Qualified Anti-Terrorism Technologies that are or will be deployed in defense against, response to, or recovery from Acts of Terrorism as defined in the SAFETY Act. Pursuant to 6 U.S.C. § 444(2), the Secretary has the authority to determine an event constitutes an Act of Terrorism for purposes of triggering the SAFETY Act's protections. 6 U.S.C. § 444(2) defines an Act of Terrorism as an act that meets the three statutory requirements as further defined and specified by the Secretary. Pursuant to 6 U.S.C. § 444(2), the Secretary may determine an event meets these requirements as further defined and specified by the Secretary based on the facts and circumstances of the event.
- Special Restrictions on Transfer and Assignment. None
- Special Restrictions on Licensing. None
- Other Conditions. This Developmental Testing and Evaluation Designation applies with the following conditions:



1. This DT&E Designation applies to eight locations. The Seller shall notify OSAI of its location list within 60 days of the Designation Issuance Date.



Except for terms expressly defined in this DT&E Designation, all terms used in this DT&E Designation shall have the meanings ascribed to them in the SAFETY Act or the Regulations. This DT&E Designation is issued under the authorities set forth in, and in accordance with, the SAFETY Act and the Regulations. The SAFETY Act and the Regulations contain other requirements applicable to the Seller and the Technology. In the event of any conflict between this DT&E Designation and the SAFETY Act or the Regulations, the SAFETY Act or the Regulations (as the case may be) shall take precedence and shall control. This issuance of DT&E Designation under the SAFETY Act does not constitute compliance with any statutory or regulatory requirements other than those imposed by the SAFETY Act and the Regulations, and does not relieve the Seller of any obligations it might have under any other Federal, State, or local statutes or regulations.

As an added benefit for obtaining DT&E Designation, the Department can grant HSS Inc., authorization to use the DT&E Designation[®] mark. The DT&E Designation[®] mark is only available for use by those Sellers of technologies that have obtained DT&E Designation. The Department controls the use of the mark to ensure its display by a Seller serves as an indication the displaying Seller has obtained DT&E Designation from the Department for a certain identifiable technology/product/service. At this time, the Department is requiring users to sign a usage agreement to use the mark. Your usage agreement will be provided in a separate communication from the Office of SAFETY Act Implementation. Please follow the instructions for signing and obtaining the DT&E Designation[®] mark.



ADDITIONAL INFORMATION

HSS Inc. Security Services
Certificate of SAFETY Act DT&E Designation
Page 7 of 8

Lastly, please note it is currently against the Department's policy to allow the official Department of Homeland Security seal to be used in a manner that implies endorsement of any commercial product, service, or policy of a commercial entity. Although HSS Inc., has obtained DT&E Designation for a specific anti-terrorism technology, the Department cannot endorse HSS Inc., Technology over another. Therefore, the Department does not grant authorization to use the official Department of Homeland Security seal in conjunction with designations or certifications. However, the use and display of the DT&E Designation[®] mark is an additional benefit bestowed upon the Sellers that have obtained DT&E Designation.

Any questions regarding this DT&E Designation should be directed to the SAFETY Act Help Desk by e-mail at SAFETYActHelpDesk@dhs.gov or by phone at 1-866-788-9318. Please reference application number (F-192-D) C-HSSFIRST-001-2-REN2 in all correspondence.

Sincerely,

André L. Hentz
Deputy Under Secretary (Acting) for Science and
Technology

Attachment:

1. HSS Inc., Exhibit A



EXHIBIT A

F-192-D

HSS INC.

C-ISSFIRST-001-2-REN2 - SECURITY SERVICES

HSS Inc., a Colorado corporation (the "Seller"), provides its Security Services to airports, municipal buildings, courthouses, and other government facilities, which are provided through the Aviation and Government Services Security Division of HSS to secure perimeters and to prevent the introduction of unauthorized persons, weapons, illicit materials, and dangerous objects into restricted areas (the "Technology").

This Technology may consist of all or part of the following components:

- Security Management Consulting: This provides the planning of overall security programs, deployment at a facility, including recommendations for incorporating security technologies for a facility such as X-ray machines, hand wands, and access control systems, card readers, and screening equipment. Guidance regarding program organization, functions and activities, staffing and deployment, communications systems, facility policies and procedures, and placement of physical and electronics systems also is provided.
- Security Program Management: This includes management of a client's overall security operation, security guard program management, operation of a 24-hour operations support center using an integrated telecommunications and radio communications system, and comprehensive internal database management.
- Security Officer Operations: This includes the provision of armed and unarmed Security Officer services, which may incorporate some or all of the following: stationary and mobilized access and facility patrol; perimeter and vehicle patrol; monitoring electronic surveillance and detection equipment, including closed-circuit television and/or other remote sensing technologies; access control; perimeter control; operation of security screening equipment, including Advanced Imaging Technology scanners, hand-held portable explosive detection devices, hand-held metal detectors, X-ray machines, and walk-through metal detectors; alarm response; and emergency response services for rapid deployment of these security forces under regular and emergency conditions.



The Technology also includes recruitment, selection, and training of qualified personnel who perform the above-described services.

This Developmental Testing and Evaluation Designation does not apply to or provide coverage for:

- (1) Acts of Terrorism in response to chemical, biological, radiological, or nuclear events; and
- (2) The deployment of TSA Playbook and Insider Threats Program.

HSS Inc.

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

HSS Inc.

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Independent Auditor's Report

Board of Directors
HSS Inc.

We have audited the accompanying consolidated financial statements of HSS Inc. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2016, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Denver | Boulder | Northern Colorado | Larimer



Opinion

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSS Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the 2015 consolidated financial statements include a prior period adjustment to correct a misstatement related to capital lease obligations and property and equipment. Our opinion is not modified with respect to this matter.

Other Matter

The 2015 consolidated financial statements of HSS Inc., before restatement for the matter described in the *Emphasis of Matter* paragraph, were audited by other auditors, whose report dated June 7, 2016 expressed an unmodified opinion on those consolidated financial statements.

As part of our audit of the 2016 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2015 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2015 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 consolidated financial statements taken as a whole.

Anton Collins Mitchell LLP

Denver, Colorado
May 12, 2017

HSS Inc.

Consolidated Balance Sheets

<i>December 31,</i>	2016	2015 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,090,698	\$ 4,073,507
Accounts receivable, net of allowance for doubtful accounts of \$194,278 and \$234,000, respectively	27,748,109	23,676,165
Income tax refund receivable	-	126,491
Inventories, net	1,034,029	707,370
Prepaid expenses and other current assets	815,675	2,266,499
Total current assets	32,688,511	30,850,032
Long-term assets:		
Property and equipment, net	2,619,850	2,806,943
Goodwill	1,664,184	1,664,184
Investments	2,042,619	2,084,258
Deposits	45,814	437,191
Deferred tax asset, net	1,993,036	1,988,753
Total non-current assets	8,365,503	8,981,329
Total assets	\$ 41,054,014	\$ 39,831,361

Continued.

HSS Inc.

Consolidated Balance Sheets

<i>December 31,</i>	2016	2015 (Restated)
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,290,844	\$ 3,779,853
Accrued liabilities	6,998,292	6,097,017
Capital lease obligations, current portion	421,294	382,664
Note payable, current portion	22,501	269,575
Total current liabilities	10,732,931	10,529,109
Long-term liabilities:		
Deferred compensation liability	2,042,619	2,084,258
Capital lease obligations, net of current portion	398,559	408,632
Note payable, net of current portion	-	23,778
Total non-current liabilities	2,441,178	2,516,668
Total liabilities	13,174,109	13,045,777
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par value, 1,000,000 shares authorized, 17,090 and 13,290 issued and outstanding, respectively	-	-
Preferred stock, \$.10 par value, 1,000,000 shares authorized, 59,900 issued and outstanding with \$30,599,915 and \$30,599,915 liquidation preference, respectively	5,990	5,990
Capital in excess of par value	5,175,665	5,168,266
Retained earnings	22,698,250	21,611,328
Total stockholders' equity	27,879,905	26,785,584
Total liabilities and stockholders' equity	\$ 41,054,014	\$ 39,831,361

See independent auditor's report and accompanying notes to the consolidated financial statements.

HSS Inc.

Consolidated Statements of Income

<i>Year Ended December 31,</i>	2016	2015 (Restated)
Service revenue	\$ 164,471,571	\$ 139,888,775
Direct costs of service revenue:		
Wages and benefits	128,593,898	108,507,420
Other direct costs, including depreciation of \$593,915 and \$665,327, respectively	19,542,360	15,119,677
Total direct costs of service revenue	148,136,258	123,627,097
Gross profit	16,335,313	16,261,678
Selling, general and administrative expenses:		
Wages and benefits	5,360,357	6,989,612
Insurance	1,207,510	1,338,569
Legal	564,231	1,340,024
Purchased services	3,194,332	2,088,145
Facilities	1,081,985	1,066,595
Gain on disposal of assets	(29,215)	(163,778)
Depreciation and amortization	890,309	686,999
Other operating expenses	2,685,945	2,291,961
Total selling, general and administrative expenses	14,955,454	15,638,127
Net income from operations	1,379,859	623,551
Other income (expense):		
Interest income	190,093	170,017
Interest expense	(49,530)	(18,767)
Net other income	140,563	151,250
Net income before income taxes	1,520,422	774,801
Income tax expense	433,500	114,871
Net income	\$ 1,086,922	\$ 659,930

See independent auditor's report and accompanying notes to the consolidated financial statements.

HSS Inc.

Consolidated Statement of Changes In Stockholders' Equity

	Common Stock		Preferred Stock		Capital in Excess	Retained	
	Shares	Amount	Shares	Amount	of Par Value	Earnings	Total
Balance January 1, 2015	-	\$ -	59,990	\$ 5,990	\$ 5,142,400	\$ 20,951,398	\$ 26,099,788
Stock-based compensation	13,290	-	-	-	25,866	-	25,866
Net income as previously reported	-	-	-	-	-	647,154	647,154
Balance December 31, 2015 (as previously reported)	13,290	-	59,990	5,990	5,168,266	21,598,552	26,772,808
Prior period restatement	-	-	-	-	-	12,776	12,776
Balance December 31, 2015 (as restated)	13,290	-	59,990	5,990	5,168,266	21,611,328	26,785,584
Stock-based compensation	3,800	-	-	-	7,399	-	7,399
Net income	-	-	-	-	-	1,086,922	1,086,922
Balance December 31, 2016	17,090	\$ -	59,990	\$ 5,990	\$ 5,175,665	\$ 22,698,250	\$ 27,879,905

See independent auditor's report and accompanying notes to the consolidated financial statements.

HSS Inc.

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2016	2015 (Restated)
Cash flows from operating activities:		
Net income	\$ 1,086,922	\$ 659,930
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,484,224	1,352,326
Provision for bad debts	207,185	143,267
Change in inventory provision	156,855	-
Gain on disposal of property and equipment	(29,215)	(163,778)
Stock based compensation	7,399	25,866
Deferred income taxes	(4,283)	(587,545)
Changes in operating assets and liabilities:		
Accounts receivable	(4,279,129)	(127,963)
Income tax refund receivable	126,491	-
Inventories	(483,514)	173,205
Prepaid expenses and other current assets	1,450,824	(316,779)
Accounts payable	(489,009)	266,697
Deferred compensation liability	(41,639)	(182,505)
Accrued liabilities	901,275	1,235,625
Net cash provided by operating activities	94,386	2,478,346
Cash flows from investing activities		
Purchases of property and equipment	(866,161)	(490,650)
Proceeds from sale of property and equipment	92,081	163,778
Change in value of investments for deferred compensation	41,639	182,505
Deposits	391,377	(3,264)
Net cash used in investing activities	(341,064)	(147,631)
Cash flows from financing activities		
Payments on capital lease obligations	(465,279)	(364,318)
Proceeds from note	-	200,000
Payments on note	(270,852)	(481,642)
Net cash used in financing activities	(736,131)	(645,960)
Net (decrease) increase in cash and cash equivalents	(982,809)	1,684,755
Cash and cash equivalents at beginning of year	4,073,507	2,388,752
Cash and cash equivalents at end of year	\$ 3,090,698	\$ 4,073,507
Supplemental cash flow information		
Cash paid for interest	\$ 49,530	\$ 43,073
Vehicles acquired under capital leases	\$ 493,836	\$ 839,643
Cash paid for income taxes	\$ 637,237	\$ 1,126,920

See independent auditor's report and accompanying notes to the consolidated financial statements.

HSS Inc.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Hospital Shared Services of Colorado was initially incorporated under the laws of the State of Colorado on October 27, 1967, as a not-for-profit corporation. Hospital Shared Services of Colorado functioned as a hospital cooperative for a number of years and on March 17, 2009, all of the business, assets, and liabilities were assumed by HSS Inc. (HSSI), a for-profit corporation, incorporated November 15, 1988. HSSI and its subsidiaries (collectively, the "Company") primarily serves customers in the healthcare and airport industries, as well as other organizations and governmental agencies. The Company provides various types of services, including security services, professional and staffing, systems integration services, biomedical engineering services, and safety engineering services. The Company operates in areas throughout the United States.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of HSSI, its wholly owned subsidiaries Healthcare Security Services of Louisiana, Inc. (HSSL) and Health Care Security Services of California. All significant intercompany accounts and related transactions have been eliminated in consolidation. The Company presents its consolidated financial statements in accordance accounting principles generally accepted in the United States ("GAAP").

New Accounting Pronouncement

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). ASU 2015-17 simplifies the presentation of deferred income taxes to present deferred tax liabilities and assets as noncurrent in the accompanying consolidated balance sheets, and can be applied either retrospectively or prospectively. ASU 2015-17 is effective for fiscal years beginning after December 15, 2017 for non-public business entities, and early adoption is permitted. The Company early adopted ASU 2015-17 as of January 1, 2016, and elected to present net deferred taxes as noncurrent on a retrospective basis.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to accruals for health insurance, workers compensation, dental insurance, and legal account reserves; allowance for doubtful accounts and valuation allowance on deferred income tax assets. Actual results could differ from those estimates and such differences could be material.

HSS Inc.

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

The Company considers cash investments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. At December 31, 2016, the Company had approximately \$2.7 million in excess of federally insured limits.

Accounts Receivable and Credit Policies

The majority of the Company's accounts receivable are due from entities in the healthcare industry and various commercial and governmental entities. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within 15 to 30 days based on the contract. The allowance for doubtful accounts is determined by considering a number of factors, including the length of time accounts are past due, customers' current ability to pay obligations, and the Company's previous loss history. The Company writes off accounts receivable to bad debt expense when they become uncollectible, and any payments subsequently received on such receivables are credited to bad debt expense. The allowance for doubtful accounts at December 31, 2016 and 2015 was approximately \$194,000 and \$234,000, respectively.

During 2015, the Company implemented a policy on selected customers to charge a finance fee for balances over 30 days past due. The interest rate is 1% per month. Total interest income recognized related to the finance fees was \$190,093 and \$170,017, respectively, during the years ended December 31, 2016 and 2015.

Inventories

Inventories are presented as current assets and consist of parts, work in progress, and finished goods which are stated at the lower of cost (determined using an average cost method, which approximates actual cost) or market (estimated net realizable value), net of reserves for excess or obsolete items and are comprised of the following:

<i>December 31,</i>	2016	2015 (Restated)
Raw materials, net of reserve of \$144,370	\$ 443,867	\$ 399,502
Parts, net of reserve of \$116,891	351,231	196,779
Finished goods, net of reserve of \$33,876	189,815	77,214
Work-in-process	49,116	33,875
	<u>\$ 1,034,029</u>	<u>\$ 707,370</u>

HSS Inc.

Notes to Consolidated Financial Statements

Inventories are adjusted to net realizable value in the period in which impairment of such inventory is identified. At December 31, 2016 and 2015, the inventory reserve for obsolescence was approximately \$295,000 and \$138,000, respectively.

Property and Equipment

Property and equipment are stated at cost, with depreciation and amortization computed using the straight-line method over the estimated useful lives of the assets as follows:

Software, equipment and furniture	3-7 years
Vehicles	2-5 years

Impairment of Long-Lived Assets

Applicable accounting guidance requires that long-lived assets, such as property and equipment and intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. Specifically, management projects undiscounted cash flows expected over the period to be benefited. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent management's best estimate based on currently available information and reasonable and supportable assumptions.

Any impairment recognized is permanent and may not be restored. The Company determined that no impairment indicators existed during the periods presented.

Goodwill

The Company's policy is to test goodwill for impairment at the reporting unit whenever one or more events occur or circumstances indicate a potential impairment exists. Circumstances that could require an impairment assessment include, but are not limited to, (i) a significant adverse change in legal factors or business climate, (ii) the emergence of increased competition, (iii) an adverse action or assessment by a governmental agency or regulator, or (iv) overall financial performance such as negative or declining cash flows.

When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to its carrying amount, including goodwill. The fair value of the reporting unit is estimated using various valuation techniques, including the discounted value of estimated future cash flows (an income approach). Assumptions regarding future cash flows and growth rates are based on the annual operating budget and long-term plans for each reporting unit and discount rate assumptions are based on an assessment of the risk inherent in the respective reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss represents the excess of the carrying

HSS Inc.

Notes to Consolidated Financial Statements

amount of the reporting unit over its fair value and cannot exceed the reporting unit's carrying amount of goodwill. The Company determined that no impairment indicators existed during the periods presented.

Investments for Deferred Compensation Plan

Investments consist of accounts held by the Company on behalf of participants related to a non-qualified employee benefit plan. The Company has recorded a corresponding deferred compensation liability. Investment income and gains and losses related to these investments are recorded as a change to investments and deferred compensation liability, with no effect on net income. Investments are reported at fair value as further described in Note 12.

Revenue Recognition

The Company's revenue is generated primarily from services billed on an hourly basis including security staffing services and medical equipment maintenance and this revenue is recognized when the services are performed and collectability is reasonably assured. Other service revenues are billed on a fixed fee and are generated by security technology design and implementation as well as medical equipment maintenance. For these contracts, the revenue is recognized based on estimates of the costs and timing for completing the contracts. Revenue is recognized at the time the service is provided under the fixed fee arrangement. Finally, the Company also sells security technology equipment and medical equipment replacement parts. The revenue associated with these products is recognized when those materials transfer ownership from the Company to the customer, after delivery and, when applicable, installation and collectability is reasonably assured.

Income Taxes

The Company is taxed as a Corporation under the provisions of the United States Internal Revenue Code. Under those provisions, the Company pays federal and state income taxes on its taxable income. The provision for income taxes represents actual or estimated amounts payable or refundable on tax return filings each period. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, and for operating loss and tax credit carry forwards and carry backs. The change in deferred tax assets and liabilities for the period measures the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to the tax provision or benefit in the period of enactment. Valuation allowances are provided against deferred tax assets when it is determined that it is more likely than not that such assets will not be recovered.

The Company follows applicable guidance to account for any uncertainty in income taxes with respect to the accounting for all significant tax positions taken (or expected to be taken) on any income tax return. This guidance applies to all open tax periods in all tax jurisdictions in which the Company is required to file an income tax return. Under GAAP, in order to recognize an uncertain tax benefit the taxpayer must be more likely than not of sustaining the position, and

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the measurement of the benefit is calculated as the largest amount that is more than 50% likely to be realized upon resolution of the benefit. The Company has determined no uncertain tax positions have been taken or are expected to be taken that could have a material effect on the consolidated financial statements at December 31, 2016 and 2015.

Management makes judgments regarding the interpretation of tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions as well as by the Internal Revenue Service ("IRS"). Management's policy for interest or penalties, if assessed, would be to record an adjustment to operating expenses.

In management's opinion, adequate provisions for income taxes have been made for all open tax years, which include the tax years 2013 and forward.

Fair Value of Financial Instruments

The Company follows the accounting guidance prescribed in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about the use of fair value to measure assets and liabilities.

Fair value is a market-based measure considered from the perspective of a market participant that holds the asset or owes the liability, rather than an entity-specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability on a measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities to which the Company has access at a measurement date.
- Level 2: Observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs for which little or no market data exists, and for which the Company must develop its own assumptions regarding the assumptions that market participants would use in pricing the asset or liability, including assumptions regarding risk.

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Notes to Consolidated Financial Statements

Because of inherent uncertainties in the valuation of assets or liabilities for which there are no observable inputs, those estimated fair values may differ significantly from the values that may have been used had a ready market for the assets or liabilities existed.

Deferred Rent

For leases that contain rent escalations and rent abatement, the Company records the total rent payable over the initial lease term on a straight-line basis over the life of the initial term. Any difference between minimum rent and straight-line rent is recorded as a deferred rent liability in the consolidated balance sheets.

Advertising

Costs associated with advertising are expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$141,908 and \$168,138, respectively.

Stock-based Compensation

The Company accounts for its stock-based compensation arrangements in accordance with ASC 718, *Compensation-Stock Compensation*, which requires the measurement and recognition of compensation expense for all stock-based payment awards to employees and non-employees based on estimated fair values. Compensation expense for stock awards is recognized over the requisite service period (vesting period) on a straight-line basis. The fair value of restricted stock awards is based on the estimated value of the Company's common and preferred stock on the grant date of the award. Stock-based compensation expense related to management is included within salaries and wages in the consolidated statements of income. Stock-based compensation expense related to non-employee directors is included in other operating expenses in the consolidated statements of income.

Reclassifications

Certain amounts in the 2015 consolidated financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported stockholders' equity or net income.

HSS Inc.

Notes to Consolidated Financial Statements

2. RESTATEMENT

The Company has restated its previously issued 2015 consolidated financial statements to correct a misstatement related to classification of fleet vehicle leases from operating leases to capital lease obligations, with a corresponding adjustment to property and equipment, liabilities, operating expenses and net income. Any related income tax and deferred tax effect is being reflected in 2016 following the related statutory provisions and is not significant to the consolidated financial statements.

The effect on the Company's previously issued 2015 consolidated financial statements is as follows:

	Previously Reported	Increase/ (Decrease)	As Restated
Consolidated Balance Sheet			
December 31, 2015:			
Property and equipment, net	\$ 2,002,871	\$ 804,072	\$ 2,806,943
Capital lease obligations	\$ -	\$ (791,296)	\$ (791,296)
Retained earnings	\$ 26,772,808	\$ 12,776	\$ 26,785,584
Consolidated Statement of Income			
Year ended December 31, 2015:			
Other operating expenses	\$ 2,656,279	\$ (364,318)	\$ 2,291,961
Depreciation expense	\$ 1,000,784	\$ 351,542	\$ 1,352,326
Net income before income taxes	\$ 762,025	\$ 12,776	\$ 774,801
Net income	\$ 647,154	\$ 12,776	\$ 659,930
Consolidated Statement of Cash Flows			
Year ended December 31, 2015:			
Depreciation and amortization	\$ 1,000,784	\$ 351,542	\$ 1,352,326
Payments on capital lease obligations	\$ -	\$ (364,318)	\$ (364,318)
Supplemental Cash Flow Information			
Year ended December 31, 2015:			
Vehicles acquired under capital lease	\$ -	\$ 839,643	\$ 839,643

HSS Inc.

Notes to Consolidated Financial Statements

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

<i>December 31,</i>	2016	2015 (Restated)
Vehicles	\$ 5,277,046	\$ 4,894,078
Software	2,503,710	2,231,337
Furniture and equipment	4,585,955	4,093,917
	12,366,711	11,219,332
Less: accumulated depreciation	(9,746,861)	(8,412,389)
	\$ 2,619,850	\$ 2,806,943

Depreciation expense for the years ended December 31, 2016 and 2015 was \$1,484,224 and \$1,352,326 (restated), respectively.

4. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

<i>December 31,</i>	2016	2015 (Restated)
Accrued payroll	\$ 2,532,251	\$ 1,228,820
Accrued vacation	1,809,226	1,511,722
Accrued employee benefits	1,580,119	2,132,139
Legal claims accrual	900,123	924,897
Other accrued expenses	176,573	299,439
	\$ 6,998,292	\$ 6,097,017

5. LINE OF CREDIT

As of December 31, 2016 and 2015, respectively, the Company has a \$7,500,000 and \$15,000,000 line of credit agreement ("the Agreement") with its primary financial institution. In addition to the primary credit facility under which the Company may draw, the Agreement also includes a letter of credit facility totaling \$7,500,000 and \$15,000,000, respectively. The Agreement expires in August 2017. There was no balance outstanding on the line of credit at December 31, 2016 and 2015.

Borrowings under the Agreement bear interest at a rate equal to the bank's prime rate (3.75% at December 31, 2016). The Agreement is collateralized by a security interest in all accounts receivable and contract rights, general intangibles, and property and equipment. The Company was in compliance with financial covenants during 2016 and 2015.

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Notes to Consolidated Financial Statements

As of December 31, 2016 and 2015, letters of credit outstanding under the letter of credit facility were \$6,042,241 and \$4,042,241, respectively. Under the Agreement, there is a 0.5% fee charged by the lender for the issuance, negotiation and acceptance of letters of credit. The letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions.

6. CAPITAL LEASE OBLIGATIONS

The Company entered into a master lease agreement, vehicle purchase agreement and a fleet management services agreement with a third party in 2007. The agreements were most recently amended during 2014. In connection with these agreements, the third party leases vehicles to the Company and coordinates purchases and management of the fleet, including coordinating registration and maintenance of all vehicles. The financed vehicles serve as collateral for the leases. The cost of the vehicles included in property and equipment in the accompanying consolidated balance sheets totaled \$2,741,901 and \$2,248,065 at December 31, 2016 and 2015, respectively. The vehicles are being depreciated over their estimated useful lives of two to five years. Accumulated depreciation of the leased vehicles at December 31, 2016 and 2015 was \$2,007,281 and \$1,533,221, respectively.

The following is a schedule of future minimum lease payments:

<i>Year Ending December 31,</i>	
2017	\$ 455,607
2018	252,631
2019	134,073
2020	55,379
2021	1,304
Total minimum lease payments	898,994
Less: amounts representing interest	(79,141)
Present value of net minimum lease payments	819,853
Less: current portion of capital lease obligations	(421,294)
	\$ 398,559

7. NOTE PAYABLE

On January 16, 2014, the Company obtained a note payable from a financial institution in the amount of \$785,000, with a fixed interest rate of 3.25% and a maturity date of January 16, 2017. The outstanding balance as of December 31, 2016 and 2015 was \$22,501 and \$293,353, respectively. The final payment was made in January 2017. The note was collateralized by a security interest in all accounts receivable and contract rights, general intangibles, and property and equipment. There were no financial covenants associated with the note.

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Notes to Consolidated Financial Statements

8. INCOME TAXES

The components of the income tax expense are as follows:

<i>Year Ended December 31,</i>	2016	2015 (Restated)
Current	\$ 437,783	\$ 702,416
Deferred	(4,283)	(587,545)
Total	\$ 433,500	\$ 114,871

The Company's effective tax rate differs from the federal statutory rate primarily due to the effect of state taxes and credits, federal credits, meals and entertainment, the reallocation of the valuation allowance on state credits, and true-ups of prior year tax provisions.

<i>December 31,</i>	2016	2015 (Restated)
Deferred tax assets:		
Allowance for doubtful accounts	\$ 76,663	\$ 89,830
Inventories	142,691	13,578
Accrued legal	355,194	304,175
Vacation accrual	496,593	403,666
Self-insurance reserve	622,914	818,507
Change in method for operating leases	161,248	-
Severance accrual	-	43,880
Deferred compensation	806,030	720,022
State credits	719,049	719,049
Total deferred tax assets	3,380,382	3,112,707
Deferred tax liabilities:		
Property and equipment	(631,697)	(397,707)
Intangible assets	(34,833)	(7,198)
Stock compensation	(1,767)	-
Federal expense for state credits	(251,667)	(251,667)
Total deferred tax liabilities	(919,964)	(656,572)
Net deferred tax assets before valuation allowance	2,460,418	2,456,135
Valuation allowance	(467,382)	(467,382)
Net deferred tax assets	\$ 1,993,036	\$ 1,988,753

Based on the available objective evidence, management believes it is more likely than not that certain state credits will not be fully realizable; accordingly the Company has provided for a valuation allowance of \$467,382 related to these credits at December 31, 2016 and 2015.

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Notes to Consolidated Financial Statements

9. STOCK BASED COMPENSATION

On February 26, 2015, the Board of Directors approved the amended and restated 2011 Incentive Compensation Plan. Under the amended and restated 2011 Incentive Compensation Plan, management and non-employee directors may be granted common stock, preferred stock or other forms of equity-based compensation. There are 75,000 shares of common stock and 75,000 shares of preferred stock authorized for issuance under the amended and restated 2011 Incentive Compensation Plan.

In relation to common stock grants, a single participant may be granted a maximum of 12,000 shares. The stock award (if not sooner vested), shall become vested and non-forfeitable on the date that the participant's service as an executive officer or director of the Company ends if (i) such service ends on account of the participant's death or disability and (ii) the participant continued to serve as an executive officer or director of the Company from the date of grant until the date of death or disability. Any shares of common stock covered by the stock award that have not vested on or before the date that the participant's service as an executive officer or director of the Company terminates shall be forfeited on the date that such service terminates. Participant shall not be entitled to receive any payment or other consideration in connection with the forfeiture of unvested shares of common stock. Generally, the stock issued to management vest ratably over a three-year period and the stock issued to directors vest immediately. Regarding grants of preferred stock options, unless earlier expired, forfeited or otherwise terminated, each option expires on the day before the 10th anniversary of the grant date or such earlier date specified in the applicable award agreement. Under the terms of the Plan, options are granted at a price not less than the estimated fair market value of the shares at the date of grant. The fair value of restricted stock awards is determined based on the Company's annual per share valuation reports prepared by a third-party, multiplied by the number of shares subject to the stock award.

Common Stock Awards

Total stock-based compensation expense recognized during the years ended December 31, 2016 and 2015, respectively, was \$7,399 and \$25,866. The amount of unrecognized stock-based compensation expense as of December 31, 2016 and 2015, respectively, was \$10,218 and \$15,668 to be recognized over a weighted-average period of approximately three years.

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Notes to Consolidated Financial Statements

As of December 31, 2016 and 2015, respectively, 17,090 and 13,290 common shares were fully vested and exercised and 5,250 common shares were nonvested at December 31, 2016. A summary of common stock award activity under the Company's amended and restated 2011 Incentive Compensation Plan is presented below.

	Common Stock	Weighted Average Grant Date Fair Value
Outstanding on January 1, 2015	-	\$ -
Granted	22,000	1.95
Exercised	(13,290)	1.95
Forfeited	(660)	-
Outstanding on December 31, 2015	8,050	1.95
Granted	1,000	1.95
Exercised	(3,800)	1.95
Outstanding on December 31, 2016	5,250	\$ 1.95

Preferred Stock Awards

A summary of preferred stock options award activity under the Company's amended and restated 2011 Incentive Compensation Plan is presented below:

	Preferred Stock Options	Weighted Average Grant Date Fair Value
Outstanding on January 1, 2015	50,493	\$ 458.19
Exercised	-	-
Outstanding on December 31, 2015	50,493	-
Exercised	-	-
Forfeited	(2,438)	-
Outstanding on December 31, 2016	48,055	\$ 504.85

As of December 31, 2016 and 2015, respectively, 46,930 and 42,888 preferred shares were fully vested and 1,125 preferred shares were nonvested at December 31, 2016.

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Notes to Consolidated Financial Statements

	Nonvested Preferred Stock Options	Weighted Average Grant Date Fair Value
Nonvested on January 1, 2015	50,493	\$ 458.19
Vested	(42,888)	460.67
Nonvested on December 31, 2015	7,605	
Vested	(4,042)	442.14
Forfeited	(2,438)	-
Nonvested on December 31, 2016	1,125	\$ 504.85

10. STOCKHOLDERS' EQUITY

The Company has two classes of capital stock authorized, common stock and preferred stock, which are described as follows:

Series A Preferred Stock

In 2014, the Company's stockholders approved an amendment to the Company's Articles of Incorporation to provide for the issuance of 1,000,000 shares of preferred stock (120,000 of Series A Preferred and 880,000 of Series Preferred). The amendment also reduced the common shares authorized from 2,000,000 shares to 1,000,000 shares. Under the amendment, each share of common stock that was issued and outstanding immediately prior to the effectiveness of the Amended and Restated Articles of Incorporation was converted to one share of Series A Preferred Stock (the "Series A Preferred Stock") at a par value of \$.10 per share. There were no shares of preferred stock issued during the years ended December 31, 2016 or 2015. As of December 31, 2016 and 2015, there were 59,900 shares of Series A Preferred Stock issued and outstanding, and 120,000 shares of Series A Preferred Stock are authorized to be issued.

Holders of the Series A Preferred Stock are entitled to receive only, when and as declared and authorized by the Board, cash distributions in an amount determined by the Board of Directors. Following the closing of a public offering, shares of the Series A Preferred Stock shall be converted into fully paid and non-assessable shares (calculated as to each conversion to the largest whole share) of common stock on a one-for-one basis.

The Company shall have the right at any time to require each holder of Series A Preferred Stock to sell all or part of the Series A Preferred Stock held by such stockholder at a price of 110% of the fair market value per share appraised value of the Company within the prior 12 months of the projected redemption.

In the event of liquidation, the holders of the Series A Preferred Stock will have the right to receive any unpaid dividends and an amount equal to \$510.85 per share, or in the event that the Company's assets available for distribution are insufficient to make the distributions, then the aggregate amount shall be distributed ratably among the holders of Series A Preferred Stock.

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Notes to Consolidated Financial Statements

The holders of Series A Preferred Stock shall have the right to vote for the election of directors and other specific matters requiring stockholder action, each share being entitled to one vote.

Series Preferred Stock

The Series Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more series, shares issued in this series shall not exceed 880,000 shares. The shares of preferred stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall cumulate, if cumulative. There was no Series Preferred Stock issued or outstanding as of December 31, 2016 or 2015.

Common Stock

Under the amended Articles of Incorporation there are 1,000,000 shares with no par value authorized to be issued by the Company. As of December 31, 2016 and 2015, respectively, there were 17,090 and 13,290 shares issued under the 2011 Incentive Compensation Plan (Note 9).

Distributions to common stockholders may be declared and paid or set apart for payment upon the common stock out of any assets or funds of the Corporation legally available for the payment of distributions.

The holders of common stock shall have the right to vote for the election of directors and on all other matters requiring stockholder action, each share being entitled to one vote.

In the event of liquidation, the common stockholders, after the distributions required to be made to the Preferred Stockholders having a preference in liquidation, will have the right to receive the net assets of the Corporation pro rata to the holders of common stock and preferred stock.

11. 401(k) EMPLOYEE BENEFIT PLAN

HSSI maintains a Section 401(k) plan for the benefit of its employees. The Company has a discretionary match of the employee's contributions up to one percent of the employee's salary, depending on length of service. Employees may also make annual discretionary contributions. Total expense for the Company was \$106,697 and \$86,448 for the years ended December 31, 2016 and 2015, respectively.

12. NON-QUALIFIED EMPLOYEE DEFERRED COMPENSATION PLAN

The Company maintains a nonqualified, unfunded deferred compensation plan for Company executives and retired Company executives whose participation in the Company's 401(k) plan is limited by statute or regulation. Company executives can contribute a fixed amount or a certain percentage of their salary to a deferred compensation plan, and the Company makes no contributions. The participant annually selects the type of payment they will receive when reaching a payout event.

HSS Inc.

Notes to Consolidated Financial Statements

The Company maintains investment accounts and related liability for the participants. The balance at December 31, 2016 and 2015 of \$2,042,619 and \$2,084,258, respectively, represents contributions and related investment income of the deferred compensation plan. The Company mitigates the risk of offering the nonqualified plan through investing in company-owned life insurance.

The Plan invests in assets measured at fair value on a recurring basis which are categorized based on a fair value hierarchy as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of Respective Year
<i>December 31, 2016</i>				
Investments:				
Mutual funds (1)	\$ 926,489	\$ -	\$ -	\$ 926,489
Life insurance (2)	-	1,116,130	-	1,116,130
	\$ 926,489	\$ 1,116,130	\$ -	\$ 2,042,619

December 31, 2015

Mutual funds (1)	\$ 2,084,258	\$ -	\$ -	\$ 2,084,258
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(1) The fair value of mutual funds represents the quoted market values at the close of business at the respective reporting period.

(2) The fair value of life insurance represents the net cash surrender value of the policies reported by the insurer at the reporting period.

13. OPERATING LEASES

The Company leases office, warehouse space and equipment under various operating leases. Rent expense for the years ended December 31, 2016 and 2015 was \$821,450 and \$1,244,115, respectively. Under one of the lease agreements, the Company is required to hold a letter of credit in the amount of \$48,289 as of December 31, 2016 and 2015.

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Notes to Consolidated Financial Statements

Future minimum lease payments, net of sublease income, by year are as follows:

<i>Years ending December 31,</i>		
2017	\$	910,000
2018		375,000
2019		121,000
2020		49,000
2021		51,000
Thereafter		13,000
		<hr/>
		\$ 1,519,000

During 2009, the Company subleased part of one of its buildings to a third party. The lease term is through December 31, 2017 with escalating monthly payments from \$8,700 to \$9,790. Total sublease income for 2016 and 2015 was approximately \$207,227 and \$266,908, respectively and is included in operating expenses as a reduction of rent expense.

14. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Reserves for Self-Insurance

The Company offers a fully insured health and welfare plan to employees in certain geographic areas. The plan is fully funded with no Company deductibles and no claim limits.

For employees in geographic areas where the fully insured health and welfare plan is not available, the Company has a partially self-funded health insurance plan. The Company is self-insured up to \$75,000 per individual, on an annual basis for health care costs not funded through employee enrollee co-pays and deductible costs. Under the plan, the Company accrues incurred but not yet reported claims expense based on prior claims processing experience.

Self-insurance accruals of approximately \$171,000 less an impress account balance of approximately \$132,000 are included in accrued liabilities in the accompanying consolidated balance sheets as of December 31, 2016. Self-insurance accruals of approximately \$135,000 less an impress account balance of approximately \$105,000 are included in accrued liabilities in the accompanying consolidated balance sheets as of December 31, 2015. Claim payments based on actual claims ultimately filed could differ from these estimates.

The expense for these plans for the years ended December 31, 2016 and 2015 was \$6,780,496 and \$5,533,838, respectively.

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Notes to Consolidated Financial Statements

High Deductible Workers Compensation Program

The Company manages a self-funded Workers' Compensation program with the assistance of a third-party administrator, for all states except Wyoming. The deductible was \$500,000 per claim until October 1, 2016, at which time it increased to \$1,000,000 per claim. The Company holds two letters of credit to cover claims liabilities in the amount of \$937,528 and \$2,825,000 to cover claims prior to December 1, 2010 and after December 1, 2010, respectively.

During the years ended December 31, 2016 and 2015, amounts paid for workers' compensation claims were \$1,013,914 and \$1,381,901, respectively. The Company records a reserve consisting of the estimated liability for reported claims and claims incurred but not reported based on historical experience for similar claims. The reserve balance is net of impress balances held with the third-party administrator. This reserve was \$1,519,673 and \$2,102,154 as of December 31, 2016 and 2015, respectively.

Significant Customers

The Company's accounts receivable consist primarily of large amounts from a few healthcare systems, governmental agencies, and commercial customers. There were no concentrations exceeding 10% of accounts receivable at December 31, 2016 or 2015. One customer accounted for approximately 13% of the Company's revenue during 2016. Two customers accounted for approximately 22% of the Company's revenue during 2015.

15. RELATED PARTY TRANSACTIONS

During 2016 and 2015, the Company had preferred stockholders' who were also customers that utilized the Company's services. During 2016 and 2015, service revenues from preferred stockholders totaled approximately \$39,882,000 and \$37,966,000, respectively. At December 31, 2016 and 2015, amounts due from preferred stockholders' totaled approximately \$5,255,000 and \$4,306,000, respectively.

16. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and records an accrual for estimated losses, if any. The company was a defendant in a class action lawsuit concerning wage and hour issues. Through a mediation process, the parties agreed to a full settlement agreement of \$750,000. As the settlement was probable and the amount could be reasonably estimated, the Company recorded a contingent liability for \$750,000 related to this matter on December 31, 2015. A district court judge in the 9th circuit has preliminarily approved the agreement. The funds are anticipated to be distributed after October 20, 2017, pending final remaining approval requirements.

HSS Inc.

Notes to Consolidated Financial Statements

Letters of Credit

As of December 31, 2016 and 2015, the Company holds \$6,042,241 and \$4,042,241, respectively, in 13 separate letters of credit as required under customer contracts.

17. SEGMENT INFORMATION

The Company operates in two predominate business segments, healthcare security services and commercial security services, as defined under FASB ASC 280, *Segment Reporting*. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon several factors, of which the primary financial measure is segment-operating income.

<i>Year Ended December 31,</i>	2016	2015 (Restated)
Revenues:		
Healthcare security services	\$ 87,977,077	\$ 82,724,774
Aviation and government security services	56,816,751	45,028,423
Other segments	19,677,743	12,135,578
	<u>\$ 164,471,571</u>	<u>\$ 139,888,775</u>
Income from operations:		
Healthcare security services	\$ 9,164,035	\$ 17,284,301
Aviation and government security services	3,818,301	5,421,089
Other segments	(11,602,477)	(22,081,839)
	<u>\$ 1,379,859</u>	<u>\$ 623,551</u>
Depreciation and amortization:		
Healthcare security services	\$ 147,962	\$ 109,681
Aviation and government security services	281,155	208,528
Other segments	1,055,107	1,034,117
	<u>\$ 1,484,224</u>	<u>\$ 1,352,326</u>
Interest expense:		
Healthcare security services	\$ 123	\$ 55
Aviation and government security services	1,557	555
Other segments	47,850	18,157
	<u>\$ 49,530</u>	<u>\$ 18,767</u>

HSS Inc.

Notes to Consolidated Financial Statements

18. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated subsequent events through May 12, 2017, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.



HSS Inc.

*Consolidated Financial Statements
December 31, 2015 and 2014*

HSS INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HSS Inc.
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HSS Inc. and its subsidiaries (the "Company") which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSS Inc. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hein & Associates LLP

Denver, Colorado
June 7, 2016

HSS INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,073,507	\$ 2,388,752
Accounts receivable, net of allowance for doubtful accounts of \$234,000 and \$124,681	23,676,165	23,794,244
Prepaid expenses	2,266,499	1,949,720
Income tax receivable	126,491	23,716
Deferred tax asset	1,673,636	1,236,949
Inventory	707,370	880,575
Total current assets	<u>32,523,668</u>	<u>30,273,956</u>
NON-CURRENT ASSETS:		
Property and equipment, net	2,002,871	2,513,005
Goodwill	1,664,184	1,664,184
Investments	2,084,258	1,901,753
Deposits	437,191	433,927
Deferred tax asset	315,117	164,259
Total non-current assets	<u>6,503,621</u>	<u>6,677,128</u>
TOTAL ASSETS	<u>\$ 39,027,289</u>	<u>\$ 36,951,084</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,779,853	\$ 3,513,156
Accrued liabilities	6,097,017	4,861,392
Note payable	269,575	282,210
Total current liabilities	<u>10,146,445</u>	<u>8,656,758</u>
NON-CURRENT LIABILITIES:		
Deferred compensation	2,084,258	1,901,753
Long-term debt	23,778	292,785
Total non-current liabilities	<u>2,108,036</u>	<u>2,194,538</u>
TOTAL LIABILITIES	<u>12,254,481</u>	<u>10,851,296</u>
COMMITMENTS AND CONTINGENCIES (Notes 10, 11 and 14)		
STOCKHOLDERS' EQUITY:		
Common stock, \$.0001 par value, 1,000,000 shares authorized, 13,290 and 0 issued and outstanding, respectively	1	—
Preferred stock, \$.10 par value, 1,000,000 shares authorized, 59,900 and 59,900 issued and outstanding with \$30,599,915 and \$30,599,915 liquidation preference, respectively	5,990	5,990
Capital in excess of par value	5,168,265	5,142,400
Retained earnings	21,598,552	20,951,398
Total stockholders' equity	<u>26,772,808</u>	<u>26,099,788</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 39,027,289</u>	<u>\$ 36,951,084</u>

The accompanying notes are an integral part of these consolidated financial statements.

HSS INC.

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,	
	2015	2014
SERVICE REVENUE	\$ 139,888,775	\$ 131,175,298
OPERATING EXPENSES:		
Salaries and wages	98,232,292	92,584,460
Benefits	17,562,230	16,840,657
Other operating expenses	21,307,903	16,784,191
Depreciation and amortization	1,000,784	1,141,971
Insurance	1,338,569	1,123,153
Total operating expenses	<u>139,441,778</u>	<u>128,474,432</u>
INCOME FROM OPERATIONS	<u>446,997</u>	<u>2,700,866</u>
OTHER INCOME (EXPENSE):		
Interest income	170,017	15
Interest expense	(18,767)	(28,880)
Gain on disposal of assets	<u>163,778</u>	<u>37,007</u>
Total other income	<u>315,028</u>	<u>8,142</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	762,025	2,709,008
PROVISION FOR INCOME TAXES	<u>(114,871)</u>	<u>(989,634)</u>
NET INCOME	<u>\$ 647,154</u>	<u>\$ 1,719,374</u>

The accompanying notes are an integral part of these consolidated financial statements.

HSS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	COMMON STOCK		PREFERRED STOCK		CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCES, January 1, 2014	59,900	\$ 60	-	\$ -	\$ 5,148,330	\$ 19,232,024	\$ 24,380,414
Conversion to preferred shares	(59,900)	(60)	59,900	5,990	(5,930)	-	-
Net income	-	-	-	-	-	1,719,374	1,719,374
BALANCES, December 31, 2014	-	-	59,900	5,990	5,142,400	20,951,398	26,099,788
Common stock issuance	13,290	1	-	-	25,865	-	25,866
Net income	-	-	-	-	-	647,154	647,154
BALANCES, December 31, 2015	<u>13,290</u>	<u>\$ 1</u>	<u>59,900</u>	<u>\$ 5,990</u>	<u>\$ 5,168,265</u>	<u>\$ 21,598,552</u>	<u>\$ 26,772,808</u>

The accompanying notes are an integral part of these consolidated financial statements.

HSS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 647,154	\$ 1,719,374
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,000,784	1,141,971
Gain on disposal of property and equipment	(163,778)	(37,007)
Bad debt expense	143,267	93,007
Non-cash expense for the issuance of common stock	25,866	—
Deferred income taxes	(587,545)	(316,115)
Changes in assets and liabilities:		
Accounts receivable	(127,963)	(4,622,369)
Inventory	173,205	(876,575)
Prepaid expenses	(316,779)	(398,424)
Deposits	(3,264)	(39,732)
Accounts payable	266,697	1,538,666
Accrued liabilities	1,235,625	(261,142)
Net cash provided by (used in) operating activities	<u>2,293,269</u>	<u>(2,058,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(490,650)	(1,083,975)
Proceeds from sale of property and equipment	163,778	22,560
Net cash used in investing activities	<u>(326,872)</u>	<u>(1,061,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	200,000	785,000
Payments on notes payable	(481,642)	(210,005)
Net cash (used in) provided by financing activities	<u>(281,642)</u>	<u>574,995</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,684,755	(2,544,766)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,388,752</u>	<u>4,933,518</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,073,507</u>	<u>\$ 2,388,752</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 18,767</u>	<u>\$ 20,529</u>
Cash paid for income taxes	<u>\$ 1,126,920</u>	<u>\$ 1,349,960</u>
Non-cash conversion to preferred stock	<u>\$ —</u>	<u>\$ 5,930</u>

The accompanying notes are an integral part of these consolidated financial statements.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Hospital Shared Services of Colorado was initially incorporated under the laws of the state of Colorado on October 27, 1967, as a not-for-profit corporation. Hospital Shared Services of Colorado functioned as a hospital cooperative for a number of years and on March 17, 2009, all of the business, assets, and liabilities were assumed by HSS Inc. (HSSI), a for-profit corporation, incorporated November 15, 1988. HSSI and its subsidiaries (collectively, the "Company") primarily serves customers in the healthcare and airport industries, as well as other organizations and governmental agencies. The Company provides various types of services, including security services, professional and staffing, systems integration services, biomedical engineering services, and safety engineering services. The Company operates in areas throughout the United States.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of HSSI, its wholly owned subsidiaries, Healthcare Security Services of Louisiana, Inc. (HSSL), and Hospital Shared Services Southwest, Inc. (HSSSW). On December 31, 2009, HSSSW was merged with HSSI; the resulting corporation is HSSI. Health Care Security Services of California is a wholly owned subsidiary of HSSI. All significant intercompany accounts and related transactions have been eliminated in consolidation.

Asset Purchase Agreement – During the year ended December 31, 2014, the Company entered into an asset purchase agreement with Medequip Engineering Service, Inc. Under the agreement, the Company purchased substantially all of the assets of Medequip. The majority of the assets consisted of sterilizers and parts, which is included in inventory on the balance sheet as of December 31, 2014. The purchase price of the assets was \$785,000, which was the approximate market value of the sterilizers; therefore, there is no goodwill associated with the purchase.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include health insurance, workers compensation, dental insurance, legal account reserves, allowance for doubtful accounts, and valuation allowance on deferred income tax.

Cash and Cash Equivalents – The Company considers all unrestricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable – The majority of the Company's accounts receivable is due from entities in the healthcare industry and various commercial and governmental entities. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within 15 to 30 days based on the contract. The allowance for doubtful accounts is determined by considering a number of factors, including the length of time accounts are past due, customers' current ability to pay obligations, and the Company's previous loss history. The Company writes off accounts receivable to bad debt expense when they become uncollectible, and any payments subsequently received on such receivables are credited to bad debt expense. During 2015, the Company implemented a policy on selected customers to charge a finance fee for balances over 30 days past due. The interest rate is 1% per month. Total interest income recognized related to the finance fees during the year ended December 31, 2015 was \$170,017.

Prepaid Expenses – Prepaid expenses consist primarily of prepaid insurance and other expenses paid in advance. The balance includes financed insurance premiums with an offsetting balance included in accrued liabilities.

Inventory – The inventory balance is held in other current assets and consists of parts, work in progress, and finished goods and is stated at the lower of cost (average cost basis) or market (net realizable value). Inventory is written down to market value in the period in which impairment of such inventory is identified. Inventory write-downs for the years ended December 31, 2015 and 2014 were \$138,282 and \$0, respectively. Inventory consisted of the following:

	December 31,	
	2015	2014
Raw materials	\$ 399,502	\$ 483,017
Parts	196,779	237,521
Finished goods	77,214	104,963
Work in progress	33,875	36,771
Other inventory	—	18,303
Total	<u>\$ 707,370</u>	<u>\$ 880,575</u>

Property and Equipment – Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Class	Life
Vehicles	2 to 5 years
Software and equipment	3 to 15 years

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill – Goodwill represents the excess of the purchase price over the fair value of the net assets of a business acquired. Goodwill is not amortized, but is evaluated for impairment annually. No impairment of goodwill was recorded for the years ended December 31, 2015 and 2014.

Fair Value of Financial Instruments – The carrying value of cash and cash equivalents, trade accounts receivable and payable, accrued liabilities and expenses, and notes payable are considered to approximate fair value due to the short-term nature of these instruments.

Investments – Investments consist of accounts held by the Company on behalf of participants related to a non-qualified employee benefit plan. The Company has recorded a corresponding deferred compensation liability. Investment income and gains and losses related to these investments are recorded as a change to investments and deferred compensation liability, with no effect on net income.

Long-Lived Assets – The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No assets were deemed to be impaired during the years ended December 31, 2015 and 2014.

Revenue Recognition – The Company recognizes revenue when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured.

Income Taxes – The Company recognizes income tax expense using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company applies applicable provisions of *Accounting for Uncertainty in Income Taxes* to recognize, measure, and disclose uncertain tax positions in the financial statements under which tax positions must meet a “more-likely-than-not” recognition threshold to be recognized upon the adoption and in subsequent periods. The Company does not believe that it has taken any position that would be considered an uncertain tax position. If applicable, the Company would recognize interest and penalties related to uncertain tax positions in income tax benefit (expense). No interest or penalties related to uncertain tax positions were accrued at December 31, 2015 and 2014.

The Company files income tax returns in U.S. federal jurisdiction and various states. There are currently no federal or state income tax examinations underway for these jurisdictions. The tax years for 2011 and after remain open to examination by taxing jurisdictions to which the Company is subject.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentrations of Credit Risk – The Company's accounts receivable consist primarily of large amounts from a few healthcare systems, governmental agencies, and commercial customers. One customer accounts for approximately 10% and 11% of the Company's revenue in 2015 and 2014, respectively; and 8% and 8% of the Company's accounts receivable at December 31, 2015 and 2014, respectively.

Advertising Costs – Costs associated with advertising are expensed as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$168,138 and \$257,703, respectively.

2. **BALANCE SHEET DISCLOSURES:**

Property and equipment consist of the following:

	December 31,	
	2015	2014
Vehicles	\$ 2,646,013	\$ 3,065,175
Software	2,231,337	2,056,306
Furniture and equipment	<u>4,093,917</u>	<u>3,817,425</u>
	8,971,267	8,938,906
Less accumulated depreciation	<u>(6,968,396)</u>	<u>(6,425,901)</u>
	<u>\$ 2,002,871</u>	<u>\$ 2,513,005</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$1,000,784 and \$1,141,971, respectively.

During 2015 and 2014, the Company sold vehicles for \$163,778 and \$93,495, respectively, resulting in a gain of \$163,778 and \$37,007, respectively, which is included in gain on disposal of assets in the consolidated statements of income.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued liabilities consist of the following:

	December 31,	
	2015	2014
Accrued employee benefits	\$ 2,132,139	\$ 1,843,835
Accrued payroll	1,228,820	969,548
Accrued vacation	1,511,722	1,373,706
Legal claims accrual	924,897	349,855
Accrued expenses	299,439	324,448
	<u>\$ 6,097,017</u>	<u>\$ 4,861,392</u>

3. LINE OF CREDIT:

As of December 31, 2015 and 2014, the Company had a \$15,000,000 line of credit agreement ("the Agreement") with its primary financial institution. The Agreement expires in August 2016.

The Agreement is used for letters of credit required under customer contracts and insurance agreements. The Company had available \$15,000,000 as of December 31, 2015 and 2014. Borrowings under the Agreement bear interest at a rate equal to the bank's prime rate, the interest rate as of December 31, 2015 and 2014 was 3.25%. The Agreement is collateralized by a security interest in all accounts receivable and contract rights, general intangibles, and property and equipment. The Company was in compliance with all financial covenants. There were no outstanding borrowings under the Agreement as of December 31, 2015.

As of December 31, 2015 and 2014, letters of credit outstanding, which reduce the amount available for borrowings under the Agreement, were \$4,042,241 and \$7,611,449, respectively. Under the Agreement, there is a 0.5% fee charged by the lender for the issuance, negotiation and acceptance of letters of credit. The letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions.

4. NOTE PAYABLE:

On January 16, 2014, the Company obtained a note payable from a financial institution in the amount of \$785,000, with an interest rate of 3.25% and a maturity date of January 16, 2017. The outstanding balance as of December 31, 2015 was \$293,353; \$269,575 is due during the year ended December 31, 2016, with the final payment of \$23,778 due in January 2017. The note is collateralized by a security interest in all accounts receivable and contract rights, general intangibles, and property and equipment. There are no debt covenants associated with the note.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAXES:

Deferred tax assets consist of the following:

	December 31,	
	2015	2014
Current Assets (Liabilities):		
Allowance for doubtful accounts	\$ 89,830	\$ 48,046
Vacation accrual	403,666	327,618
Self-insurance reserve	818,507	710,166
Inventory	13,578	16,302
Severance accrual	43,880	—
Accrued expenses	<u>304,175</u>	<u>134,817</u>
Total current deferred tax assets	<u>\$ 1,673,636</u>	<u>\$ 1,236,949</u>
Non-Current Assets (Liabilities):		
Deferred compensation	\$ 720,022	\$ 562,717
Property and equipment	(397,707)	(418,026)
Intangible assets	(7,198)	19,567
State credits	719,049	719,049
Federal expense for state credits	(251,667)	(251,667)
Valuation allowance	<u>(467,382)</u>	<u>(467,382)</u>
Total non-current deferred tax assets	<u>\$ 315,117</u>	<u>\$ 164,258</u>

The provision for taxes on income includes the following:

	December 31,	
	2015	2014
Current tax expense	\$ 702,416	\$ 1,305,749
Deferred tax expense (benefit)	<u>(587,545)</u>	<u>(316,115)</u>
	<u>\$ 114,871</u>	<u>\$ 989,634</u>

The Company's effective tax rate differs from the federal statutory rate primarily due to the effect of state taxes and credits, federal credits, meals and entertainment, the reallocation of the valuation allowance on state credits, and true-ups of prior year tax provisions.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. STOCK-BASED COMPENSATION:

On February 26, 2015, the Board of Directors approved the amended and restated 2011 Incentive Compensation Plan. Under the amended and restated 2011 Incentive Compensation Plan, management and non-employee directors may be granted common stock or preferred stock as performance compensation. There are 75,000 shares of common stock and 75,000 shares of preferred stock authorized for issuance under the amended and restated 2011 Incentive Compensation Plan. A single participant may be granted a maximum of 12,000 shares. The stock award (if not sooner vested), shall become vested and nonforfeitable on the date that the participant's service as an executive officer or director of the Company ends if (i) such service ends on account of the participant's death or disability and (ii) the participant continued to serve as an executive officer or director of the Company from the date of grant until the date of death or disability. Any shares of common stock covered by the stock award that have not vested on or before the date that the participant's service as an executive officer or director of the Company terminates shall be forfeited on the date that such service terminates. Participant shall not be entitled to receive any payment or other consideration in connection with the forfeiture of unvested shares of common stock. Generally, the stock issued to management vest ratably over a three-year period and the stock issued to directors vest immediately.

The fair value of restricted stock awards is determined based on the Company's per share valuation report as of December 31, 2014, multiplied by the number of shares subject to the stock award. Compensation expense for restricted stock awards is recognized over the entire vesting period on a straight-line basis. Stock-based compensation expense related to management is included within the salaries and wages line item in the consolidated statements of income. Stock-based compensation expense related to non-employee directors is included within the other operating expenses line item in the consolidated statements of income. Total stock-based compensation expense recognized during the year ended December 31, 2015 was \$25,865. The amount of unrecognized stock-based compensation expense as of December 31, 2015 was \$15,668. A summary of stock award activity under the Company's amended and restated 2011 Incentive Compensation Plan is presented below:

	<u>Shares</u>
Non-vested on January 1, 2015	-
Granted	22,000
Vested	(13,290)
Forfeited	<u>(660)</u>
Non-vested on December 31, 2015	<u>8,050</u>

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. STOCKHOLDERS' EQUITY:

The Company has two classes of capital stock authorized, common stock and preferred stock, which are described as follows:

Preferred Stock – Series A Preferred Stock – In 2014, the Company's stockholders approved an amendment to the Company's Articles of Incorporation to provide for the issuance of 1,000,000 shares of preferred stock. The amendment also reduced the common shares authorized from 2,000,000 shares to 1,000,000 shares. Under the amendment, each share of common stock that was issued and outstanding immediately prior to the effectiveness of the Amended and Restated Articles of Incorporation was converted to one share of Series A Preferred Stock (the "Series A Preferred Stock") at a par value of \$.10 per share. There were no shares of preferred stock issued during the year ended December 31, 2015. As of December 31, 2015 and 2014, there were 59,900 shares of Series A Preferred Stock issued and outstanding, and 120,000 shares of Series A Preferred Stock are authorized to be issued.

Holders of the Series A Preferred Stock are entitled to receive only, when and as declared and authorized by the Board, cash distributions in an amount determined by the Board of Directors.

Following the closing of a public offering, shares of the Series A Preferred Stock shall be converted into fully paid and non-assessable shares (calculated as to each conversion to the largest whole share) of common stock on a one-for-one basis.

The Company shall have the right at any time to require each holder of Series A Preferred Stock to sell all or part of the Series A Preferred Stock held by such stockholder at a price of 110% of the fair market value per share appraised value of the Company within the prior 12 months of the projected redemption.

In the event of liquidation, the holders of the Series A Preferred Stock will have the right to receive any unpaid dividends and an amount equal to \$510.85 per share, or in the event that the Company's assets available for distribution are insufficient to make the distributions, then the aggregate amount shall be distributed ratably among the holders of Series A Preferred Stock.

Series Preferred Stock – The Series Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more series, shares issued in this series shall not exceed 880,000 shares. The shares of preferred stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall cumulate, if cumulative. There were no Series Preferred Stocks issued or outstanding as of December 31, 2015 or 2014.

Common Stock – Under the amended Articles of Incorporation there are 1,000,000 shares, par value \$.0001, authorized to be issued by the Company. During the year ended December 31, 2015, there were 13,290 shares issued under the 2011 Incentive Compensation Plan (Note 6).

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Distributions to common stock holders may be declared and paid or set apart for payment upon the common stock out of any assets or funds of the Corporation legally available for the payment of distributions

The holders of common stock shall have the right to vote for the election of directors and on all other matters requiring stockholder action, each share being entitled to one vote.

In the event of liquidation, the common stock holders, after the distributions required to be made to the Preferred Stock holders having a preference in liquidation, will have the right to receive the net assets of the Corporation pro rata to the holders of common stock and preferred stock.

8. **EMPLOYEE BENEFIT PLAN:**

HSSI maintains a Section 401(k) plan for the benefit of its employees. The Company has a discretionary match of the employee's contributions up to one percent of the employee's salary, depending on length of service. Employees may also make annual discretionary contributions. Total expense for the Company was \$86,448 and \$71,668 for the years ended December 31, 2015 and 2014, respectively.

9. **NON-QUALIFIED EMPLOYEE BENEFIT PLAN:**

Company executives can contribute a fixed amount or a certain percentage of their salary to a deferred compensation plan and the Company makes no contributions. The participant annually selects the type of payment they will receive when reaching a payout event. The Company maintains investment accounts and related liability for the participants. The balance at December 31, 2015 and 2014 of \$2,084,258 and \$1,901,753, respectively, represents contributions and related investment income of the deferred compensation plan.

10. **OPERATING LEASES:**

The Company leases office and warehouse space and equipment. Future minimum lease payments, net of sublease income, by year are as follows:

2016	\$ 905,467
2017	772,239
2018	345,370
2019	<u>16,959</u>
Total	<u>\$ 2,040,035</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$1,244,115 and \$1,037,758, respectively. Under the lease agreement, the Company is required to hold a letter of credit in the amount of \$48,289 as of December 31, 2015 and 2014.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During 2009, the Company subleased part of one of its buildings to a third party. The lease term is through December 31, 2017 with escalating monthly payments from \$8,700 to \$9,790. Total sublease income for 2015 and 2014 was approximately \$266,908 and \$156,197, respectively.

11. SELF-INSURED AND INSURED HEALTHCARE:

As of December 31, 2014, the Company's health insurance and welfare plan ("Plan A") resulted in aggregate deductibles before reinsurance of \$5,303,504. The individual enrollee deductible was \$100,000 before reinsurance applied. The Company made contributions to Plan A as necessary to fund claims not covered by employee contributions.

As of December 31, 2015, the Company offered two health insurance and welfare plans. A new health and welfare plan ("Plan B") was added as an exclusive option provided in certain geographic areas that the Company operated in. Plan B is fully funded with \$0 Company deductibles and \$0 maximum claim limits. For the year ended December 31, 2015, Plan A continued to be in existence in geographic areas not covered by Plan B. As of December 31, 2015, Plan A resulted in aggregate deductibles before reinsurance of \$2,218,326. The individual enrollee deductible was \$75,000 before reinsurance applied. The Company made contributions to Plan A as necessary to fund claims not covered by employee contributions.

The expense for these plans for the year ended December 31, 2015 and 2014 was \$5,533,838 and \$5,900,198, respectively. Included in expense is an estimate, based on historical experience, of the effect of claims incurred but not reported as of year-end. This reserve was \$29,985 and \$418,853 as of December 31, 2015 and 2014, respectively.

12. HIGH DEDUCTIBLE WORKERS' COMPENSATION PROGRAM:

Effective December 1, 2009, all operations, with the exception of Wyoming, entered into a high deductible Workers' Compensation Plan through ACE American Insurance Company. The deductible is set at \$500,000 for the first claim and \$250,000 for subsequent claims. The Company holds a \$2,146,300 letter of credit to cover claims liabilities prior to December 1, 2010 within the deductible and aggregate amounts for all coverage provided through ACE American Insurance Company, and an additional \$1,375,000 to cover claims liabilities after November 30, 2010 within the deductible and aggregate amounts for all coverage provided through Zurich Insurance.

Total claims paid during 2015 and 2014 for Workers' Compensation Plan were \$1,381,901 and \$2,113,629, respectively. The Company records a reserve consisting of the estimated liability for reported claims and claims incurred but not reported. The estimate for the reserve is based on historical experience with similar claims. This reserve was \$2,102,154 and \$1,424,982 as of December 31, 2015 and 2014, respectively.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. SEGMENT INFORMATION:

The Company operates in two predominate business segments, healthcare security services and commercial security services, as defined under FASB ASC 280, *Segment Reporting*. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon several factors, of which the primary financial measure is segment-operating income.

	December 31,	
	2015	2014
Revenues:		
Healthcare security services	\$ 82,724,774	\$ 78,181,063
Aviation and government security services	45,028,423	41,939,397
Other segments	12,135,578	11,054,838
	<u>\$ 139,888,775</u>	<u>\$ 131,175,298</u>
Income from operations:		
Healthcare security services	\$ 17,284,301	\$ 13,704,841
Aviation and government security services	5,421,089	5,013,196
Other segments	(22,258,393)	(16,017,171)
	<u>\$ 446,997</u>	<u>\$ 2,700,866</u>
Depreciation and amortization:		
Healthcare security services	\$ 109,681	\$ 289,917
Aviation and government security services	208,528	228,325
Other segments	682,575	623,729
	<u>\$ 1,000,784</u>	<u>\$ 1,141,971</u>
Interest expense:		
Healthcare security services	\$ 55	\$ 196
Aviation and government security services	555	434
Other segments	18,157	28,250
	<u>\$ 18,767</u>	<u>\$ 28,880</u>

14. COMMITMENTS AND CONTINGENCIES:

Litigation – In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and records an accrual for estimated losses, if any. During the year ended December 31, 2015, the Company was a defendant in a class action lawsuit. The case is in the preliminary stage of litigation. The Company estimates losses between \$750,000 and \$1,200,000 as of December 31, 2015.

HSS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Letters of Credit – As of December 31, 2015 and 2014, the Company holds \$4,042,241 and \$7,611,448, respectively, in 13 separate letters of credit as required under customer contracts.

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 7, 2016, the date the consolidated financial statements were available to be issued.

EXCEPTIONS

If the proposer takes exception or requires clarification on any points of the RFQ before signing an agreement with the County, please list items on a separate sheet. With each exception, please state your proposed wording. All are subject to the discretion and approval of the County.

Therefore, should the proposer and the County be unable to resolve any exceptions to the mutual satisfaction of both parties, the County reserves the right to reject the proposer's proposal from any further consideration.

1. If no exceptions are listed, the undersigned agrees to all terms and conditions contained in this entire document, including all appendices and drawings.

If exceptions are listed, the undersigned agrees to all terms and conditions contained in this entire document, with those noted exceptions.

2. Exceptions attached? ☒ Yes
☐ No

See attached document that follows

Exceptions Statement

Deleted text is shown with strikethrough and added text is shown with underlining.

SECTION 8 – OWNERSHIP OF DATA

Except for Contractor IP (defined below), ~~Upon~~ completion of the work or upon termination of the Contract, it is understood that all completed or partially completed data, drawings, records, computations, survey information, and all other material that Contractor has collected or prepared in carrying out this Contract shall be provided to and become the exclusive property of the County (“Deliverables”). Therefore, any reports, information and data given to or prepared or assembled by Contractor under this Contract shall not be made available to any individual or organization by Contractor without the prior written approval of County. Contractor IP comprises know-how, inventions, trade secrets, processes, methodologies, copyrights, and other intangible property that Contractor has developed, created or acquired prior to or during provision services pursuant to this Contract. Contractor grants County a perpetual, paid-up, royalty-free, non-exclusive, non-sublicensable, non-assignable license to County to use any Contractor IP that Contractor integrates with or incorporates into the Deliverables.

No reports or documents produced in whole or in part under this Contract shall be the subject of an application for copyright by or on behalf of the Contractor.

SECTION 13 – INDEMNITY/INSURANCE

INDEMNITY/LIMITATION OF LIABILITY

Contractor/Consultant agrees to the fullest extent permitted by law to indemnify, defend and hold the County harmless, including its agents, officers and employees, from and against all loss or expense, including costs and attorneys fees, by reason of claims made under worker’s compensation law and/or liability for damages or loss including suits at law or in equity, caused by any wrongful, intentional, or negligent act or omission of Contractor/Consultant, or its agents which may arise out of or are connected with the activities or operations of Contractor/Consultant covered by this Agreement, including any claim or award of damages arising out of U.S. patent, trademark or copyright infringement, all without the County waiving any governmental immunity or other right available to the County under Wisconsin Law.

Contractor/Consultant shall indemnify and save the County harmless from any award of damages and costs against County for any action based on U.S. Patent or Copyright infringement regarding computer programs involved in the performance of the tasks and services covered by this agreement.

NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL NOR CONSEQUENTIAL DAMAGES RESULTING IN ANY WAY FROM PERFORMANCE OF ITS DUTIES STATED IN THIS CONTRACT WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. FURTHERMORE, EACH PARTY

EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES NOT STATED IN THIS AGREEMENT, INCLUDING SPECIFICALLY, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

THE CUMULATIVE, AGGREGATE LIABILITY OF EACH PARTY FOR ALL CLAIMS ARISING FROM OR RELATING TO THE AGREEMENT, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, SHALL NOT EXCEED THREE MILLION DOLLARS (\$3,000,000).

INSURANCE

Contractor agrees to maintain policies of insurance and proof of financial responsibility to cover costs as may arise from claims for damages to property of and/or claims which may arise out of or result from Contractors activities, by whomever performed, in such coverage and amounts as required and approved by the County. Acceptable proof of such coverage shall be furnished to the County prior to commencement of activities under this agreement. A Certificate of Insurance shall be submitted for review for each successive period of coverage for the duration of this agreement, unless otherwise specified by the County, in the minimum amounts specified below.

Contractor shall provide evidence of the following coverages and minimum amounts:

<u>Type of Coverage</u>	<u>Minimum Limits</u>
Wisconsin Workers' Compensation and Employer's Liability & Disease	Statutory/Waiver of Subrogation \$100,000/\$500,000/\$100,000
General Liability Bodily Injury and Property Damage to include: Personal Injury, Fire, Products and Completed Operations	\$1,000,000 Per Occurrence \$2,000,000 Aggregate
Automobile Liability Bodily Injury and Property Damage All Autos	\$5,000,000 Per Accident
Professional Liability Refer to Additional Provision A.1.	\$5,000,000 Per Occurrence \$5,000,000 Aggregate
Cyber Liability Refer to Additional Provision A.2.	\$5-3,000,000 Per Occurrence \$5-3,000,000 Aggregate

Required limits of liability listed above may be achieved by Contractor through the use of primary insurance policies and umbrella/excess insurance policies.

Milwaukee County shall be named as an Additional Insured on the General, Automobile, and ~~Cyber Liability~~ policies as respects the services provided in this agreement. A Waiver of

Subrogation shall be afforded to Milwaukee County on the Workers' Compensation policy. A thirty (30) day written notice of cancellation or non-renewal shall be afforded to Milwaukee County. Contractor will furnish a certificate of coverage naming Milwaukee County as an additional insured with a waiver of subrogation on the Contractor's CGL, auto policy and excess policies, which evidenced coverage shall be primary and non-contributory to any other coverage available to Milwaukee County.

The insurance specified above shall be placed with a Carrier approved to do business in the State of Wisconsin. All carriers must be A rated or better per AM Best's Rating Guide. Any requests for deviations from or waivers of required coverages or minimums shall be submitted in writing and approved by Milwaukee County's Risk Manager as a condition of this agreement.

SECTION 14 – LIQUIDATED DAMAGES

The parties acknowledge and agree that the services required by this agreement are necessary for the County's safe and secure operation of GMIA as an international airport, as well as the County's compliance with its federal and state airport security obligations. The parties also acknowledge and agree that the damages resulting from Contractor's failure to perform the required services are difficult to quantify but that, notwithstanding this difficulty, the liquidated damages amounts contained in this paragraph are fair and reasonable estimates of the injury that the County will suffer as a result of Contractor's failure to perform the required services or its breach of this agreement, to the County personnel to provide replacement services, and to search for and obtain replacement services. Accordingly, if Contractor fails to perform the services required by this agreement or otherwise breaches any of its obligations in the times specified in this agreement, then Contractor shall, in place of actual damages, pay the County liquidated damages in the amount of ~~\$2,625~~ \$1,500 for each 24 hour period and for each security post for a maximum of ~~\$10,540~~ \$6,000 per 24 hour period/day in which it has failed to perform the required services or is in breach of any of the terms of this agreement. Contractor shall also be liable for liquidated damages if the County terminates this agreement for cause or because of Contractor's default until such time as the County is reasonably able to otherwise obtain the required services. The liquidated damages specified in this section shall be in addition to any other damages or costs provided by any other provision of this agreement or any other legal remedies available to the County.

SECTION 28 – NOTICES

Notices to County provided for in this Contract shall be sufficient if sent by Certified or Registered mail, postage prepaid, addressed to (Airport Public Safety & Security Manager, General Mitchell International Airport, 5300 South Howell Avenue, Milwaukee, Wisconsin 53207), and notices to Contractor shall be sufficient if sent by Certified or Registered mail, postage prepaid, to (Vice President Aviation and Government Services, HSS, Inc., 9900 South Broadway, Suite 100, Denver, Colorado 80209), or to such other respective addresses as the parties may designate to each other in writing from time to time.

SECTION 35 – ADDITIONAL CONTRACT TERMS

~~Guaranteed Most Favorable Terms. Contractor certifies and agrees that all of the prices, terms, warranties and benefits granted by Contractor herein are comparable to or better than those offered by Contractor to other State and Local Government customers contracting under the same material terms and conditions. As used herein, material terms and conditions include those terms related to the execution of this contract for services procured under this contract and any related pricing. Should Contractor announce a general price reduction or make available to other State or Local Government customers more favorable terms or conditions with respect to any of the services contained in the SOS, such prices, terms and conditions will be made available to Milwaukee County upon the date the general price reduction or more favorable terms and conditions become effective.~~

NON-PROFESSIONAL SERVICE CONTRACT UNARMED SECURITY GUARD SERVICES

This Contract between Milwaukee County, a Wisconsin municipal body corporate (hereinafter called "County"), represented by General Mitchell International Airport, 5300 South Howell Avenue, Milwaukee, Wisconsin 53207 and [Company Name] (hereinafter called "Contractor"), for Unarmed Security Officer Services is entered into on [Date].

1. SCOPE OF SERVICES

Contractor shall specifically perform all of the tasks and achieve the objectives set forth in its proposal, dated [Date], which is attached hereto as Exhibit A and incorporated herein by reference, and the County Request for Proposal, dated [Date], with Addendum 1, which is attached hereto as Exhibit B and also incorporated herein by reference. If there is a variance between the Contractor's proposal and the County's request for proposal, the latter shall be controlling, unless otherwise provided for in writing.

This Contract consists of the following three documents listed below in the order of precedence that will be followed in resolving any inconsistencies between the terms of this Contract and the terms of any Exhibits, Schedules, or Attachments thereto:

- a) This Agreement;
- b) County Request for Proposal, with Addendum 1
- c) Contractor Proposal

2. STAFFING

Contractor's employees are to be assigned to the project and work the approximate hours listed below:

	<u>Position</u>	<u>Est. Hours</u>	<u>Billing Rate</u>
1.	(1) Program Manager	2,080 / yr	\$XX.XX / hr
2.	(1) Supervisor	8760 / yr	\$XX.XX / hr
3.	(3) Security Officer	8760 / yr	\$XX.XX / hr

Contractor shall not replace the Program Manager without the prior approval of the County. If the successor to said Program Manager cannot be mutually agreed upon, the County shall have the right to terminate this Contract upon thirty (30) days' notice. Any replacement of other listed personnel shall be by persons of equal qualifications, which shall be attested to by Contractor. The Program Manager shall be required to give this contractual obligation top priority.

Contractor represents that its employees and subcontractors possess the necessary skill, expertise, and capability, including sufficient personnel with the necessary qualifications, to perform the services required by this Contract. Contractor shall provide, at its own expense, all personnel required in performing the services under this Contract. Such personnel shall not be the employees of, or have any other contractual relationship with, the County. (If clerical support is to be provided by the County, indicate from what source and estimated number of person hours, if possible, as well as restriction of time of day, if any.)

3. OFFICE SPACE AND OTHER SUPPORT TO BE PROVIDED BY COUNTY (Optional)

The County will make available, at the sole discretion of GMIA, without charge to Contractor, one (1) mobile phone for the Supervisor, one (1) computer needed by Contractor for the performance of its services agreed to within this Contract. The appropriate number of mobile phones, radios on GMIA trucking system will be provided at the sole discretion of GMIA to assist in performing the operational security work agreed to within this contract. Reasonable accommodations for work space for Security Officers will be provided by GMIA at its sole discretion, at an off-site location of the airport or on-site location at the airport terminal. GMIA reserves the right to move and relocate the Security Contractor's work space accommodations at any time. Office space for the Business Manager and a room for training officers will not be provided and may require a separate lease if the contractor chooses.

4. DATES OF PERFORMANCE

Contractor shall begin work on [Date], which work shall be completed on or before [Date].

5. COMPENSATION

Contractor shall be compensated for work performed on an hourly basis at the billing rates listed in section 2 of this Contract. The total compensation to Contractor for services performed under the Contract shall not exceed \$2,500,000 unless agreed to by County in writing. State Prompt Pay Law, Section 66.285, does not apply to this Contract. As a matter of practice, the County attempts to pay all invoices in 30 days. If no disputes arise, and the invoice has not been paid 60 days after it was received by the County, the contractor may file a claim for 3% (annual rate) on amounts not paid after the 60th day.

6. BILLING

Contractor shall provide the County with monthly billings, which shall include, but not be limited to, the following:

- A. Name of employee
- B. Dates and hours worked
- C. General task performed
- D. Detail of out-of-pocket expenses, indicating their purpose such as telephone, travel, hotel, graphic reproduction, postage, etc., for these expenditures provided for in the Contract.
- E. Per Milwaukee County Ordinance 42.06(4), a DBE or ACDBE utilization report shall be submitted with all payment requests. Copies of the utilization reports and payment requests shall be forwarded to the CDBP office for review. Final payment requests shall be accompanied with a signed affidavit verifying that the DBE and/or ACDBE requirement has been met, either at the prime or subcontracted level.

7. TAXES

The County is exempt from Federal Excise Taxes and Wisconsin State Sales Taxes. Any billing submitted by Contractor should be without such taxes.

8. OWNERSHIP OF DATA

Upon completion of the work or upon termination of the Contract, it is understood that all completed or partially completed data, drawings, records, computations, survey information, and all other material that Contractor has collected or prepared in carrying out this Contract shall be provided to and become the exclusive property of the County. Therefore, any reports, information and data given to or prepared or assembled by Contractor under this Contract shall not be made available to any individual or organization by Contractor without the prior written approval of County.

No reports or documents produced in whole or in part under this Contract shall be the subject of an application for copyright by or on behalf of the Contractor.

9. AUDIT AND INSPECTION OF RECORDS

Contractor shall permit the authorized representatives of the County, after reasonable notice, to inspect and audit all data and records of Contractor related to carrying out this Contract for a period up to three years after completion of the Contract. The prime consultant must obtain prior written County approval for all subconsultants and/or associates to be used in performing its contractual obligations. There must be a written contractual agreement between the prime consultant and its County approved subconsultant and/or associates which binds the subconsultant to the same audit contract terms and conditions as the prime consultant.

10. AFFIRMATIVE ACTION

Contractor assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Contractor assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Contractor assures that it will require that its covered suborganizations provide assurances to the Contractor that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as re-created by 14 CFR Part 152, Subpart E, to the same effect.

11. DISADVANTAGED BUSINESS ENTERPRISE

Contractor shall comply with the County Ordinance 42 and CFR 49 part 23, which have an overall goal of seventeen percent (17%) participation of certified disadvantaged, minority and/or women business enterprise (DBEs) on professional service contracts. In accordance with this, the Contractor shall ensure that DBEs have the maximum opportunity to participate in this project. The specific goal for this project is seventeen percent (17%).

12. NON-DISCRIMINATION, EQUAL EMPLOYMENT OPPORTUNITY AND AFFIRMATIVE ACTION PROGRAMS

In the performance of work under this Contract, Contractor shall not discriminate against any employee or applicant for employment because of race, sex, sexual orientation, gender identity and expression, age,

ancestry or nationality, political or religious affiliation, creed, or disability, which shall include, but not be limited to, the following:

Employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeships. Contractor will post in conspicuous places, available for employees and applicants for employment, notices to be provided by the County setting forth the provisions of this nondiscriminatory clause. A violation of this provision shall be sufficient cause for the County to terminate the contract without liability for the uncompleted portion or for any materials or services purchased or paid for by the Contractor for use in completing this Contract.

Contractor agrees to strive to implement the principles of equal employment opportunities through an effective Affirmative Action program, and has so indicated on the Equal Employment Opportunity Certificate attached hereto as and made a part of this Contract. The program shall have as its objective to increase the utilization of women, minorities and handicapped persons, and other protected groups, at all levels of employment, in all divisions of Contractor's workforce, where these groups may have been previously under-utilized and under-represented. Contractor also agrees that in the event of any dispute as to compliance with the aforesaid requirements, it shall be its responsibility to show that it has met all such requirements.

When a violation of the non-discrimination, equal opportunity or Affirmative Action provisions of this section has been determined by County, Contractor shall immediately be informed of the violation and directed to take all action necessary to halt the violation, as well as such action as may be necessary to correct, if possible, any injustice to any person adversely affected by the violation, and immediately take steps to prevent further violations.

If, after notice of a violation to Contractor, further violations of the section are committed during the term of the Contract, County may terminate the Contract without liability for the uncompleted portion or any materials or services purchased or paid for by the Contractor for use in completing the Contract, or it may permit Contractor to complete the Contract, but, in either event, Contractor shall be ineligible to bid on any future contracts let by County.

13. INDEMNITY/INSURANCE

CONTRACTORS/ CONSULTANTS INDEMNIFICATION AND PROFESSIONAL LIABILITY INSURANCE

INDEMNITY

Contractor/Consultant agrees to the fullest extent permitted by law to indemnify, defend and hold the County harmless, including its agents, officers and employees, from and against all loss or expense, including costs and attorneys fees, by reason of claims made under worker's compensation law and/or liability for damages or loss including suits at law or in equity, caused by any wrongful, intentional, or negligent act or omission of Contractor/Consultant, or its agents which may arise out of or are connected with the activities or operations of Contractor/Consultant covered by this Agreement, including any claim or award of damages arising out of U.S. patent, trademark or copyright infringement, all without the County waiving any governmental immunity or other right available to the County under Wisconsin Law.

Contractor/Consultant shall indemnify and save the County harmless from any award of damages and costs against County for any action based on U.S. Patent or Copyright infringement regarding computer programs involved in the performance of the tasks and services covered by this agreement.

INSURANCE

Contractor agrees to maintain policies of insurance and proof of financial responsibility to cover costs as may arise from claims for damages to property of and/or claims which may arise out of or result from Contractors activities, by whomever performed, in such coverage and amounts as required and approved by the County. Acceptable proof of such coverage shall be furnished to the County prior to commencement of activities under this agreement. A Certificate of Insurance shall be submitted for review for each successive period of coverage for the duration of this agreement, unless otherwise specified by the County, in the minimum amounts specified below.

Contractor shall provide evidence of the following coverages and minimum amounts:

<u>Type of Coverage</u>	<u>Minimum Limits</u>
Wisconsin Workers' Compensation and Employer's Liability & Disease	Statutory/Waiver of Subrogation \$100,000/\$500,000/\$100,000
General Liability	\$1,000,000 Per Occurrence
Bodily Injury and Property Damage to include: Personal Injury, Fire, Products and Completed Operations	\$2,000,000 Aggregate
Automobile Liability	\$5,000,000 Per Accident
Bodily Injury and Property Damage All Autos	
Professional Liability	\$5,000,000 Per Occurrence
Refer to Additional Provision A.1.	\$5,000,000 Aggregate
Cyber Liability	\$5,000,000 Per Occurrence
Refer to Additional Provision A.2.	\$5,000,000 Aggregate

Milwaukee County shall be named as an Additional Insured on the General, Automobile, and Cyber Liability policies as respects the services provided in this agreement. A Waiver of Subrogation shall be afforded to Milwaukee County on the Workers' Compensation policy. A thirty (30) day written notice of cancellation or non-renewal shall be afforded to Milwaukee County.

The insurance specified above shall be placed with a Carrier approved to do business in the State of Wisconsin. All carriers must be A rated or better per AM Best's Rating Guide. Any requests for deviations from or waivers of required coverages or minimums shall be submitted in writing and approved by Milwaukee County's Risk Manager as a condition of this agreement.

A.1. Professional Liability – Additional Provisions

Contractor agrees to provide additional information on its professional liability coverage as respects policy type, i.e. errors and omissions for consultants, architects, and/or engineers, etc.; applicable retention levels; coverage form, i.e. claims made, occurrence; discover clause conditions, and effective retroactive and expiration dates, to Milwaukee County's Risk Manager as may be requested to obtain approval of coverage as respects this section.

It is understood and agreed that coverage which applies to the services inherent in this agreement will be extended for two (2) years after completion of all work contemplated on this project if coverage is written on a claims-made basis.

A.2. Cyber Liability – Additional Provisions

Contractor agrees to maintain and provide additional information on its cyber liability coverage as respects policy provisions; i.e., media, security, privacy, regulatory, etc.; applicable retention levels; coverage form; i.e., claims made, occurrence; discover clause conditions, and effective retroactive and expiration dates, to Milwaukee County's Risk Manager as may be requested to obtain approval of coverage as respects this section.

It is understood and agreed that coverage which applies to the services inherent in this agreement will be extended for two (2) years after completion of all work contemplated on this project if coverage is written on a claims-made basis.

At a minimum, cyber liability coverage will contain the following provisions at full policy limits:

- Media Liability Coverage; i.e., Liability coverage for defense costs and damages suffered by others for content-based injuries such as libel, slander, defamation, copyright infringement, trademark infringement, or invasion of privacy.
- Security Liability Coverage; i.e., Liability coverage for defense costs and damages suffered by others resulting from a failure of computer security, including liability caused by theft or disclosure of confidential information, unauthorized access, unauthorized use, denial of service attack or transmission of a computer virus.
- Privacy Liability Coverage; i.e., Liability coverage for defense costs and damages suffered by others for any failure to protect personally identifiable or confidential third-party corporate information, whether or not due to a failure of network security.
- Regulatory Proceedings; i.e., Liability coverage for defense costs for proceedings brought by a governmental agency in connection with a failure to protect private information and/or a failure of network security. Coverage includes fines and penalties where insurable by law and compensatory damages.
- Breach Event Expenses; i.e., Reimbursement coverage for the insured's costs to respond to a data privacy or security incident. Covered expenses include computer forensics expenses, legal

expenses, costs for a public relations firm and related advertising to restore your reputation, consumer notification, call centers, and consumer credit monitoring services.

14. LIQUIDATED DAMAGES

The parties acknowledge and agree that the services required by this agreement are necessary for the County's safe and secure operation of GMIA as an international airport, as well as the County's compliance with its federal and state airport security obligations. The parties also acknowledge and agree that the damages resulting from Contractor's failure to perform the required services are difficult to quantify but that, notwithstanding this difficulty, the liquidated damages amounts contained in this paragraph are fair and reasonable estimates of the injury that the County will suffer as a result of Contractor's failure to perform the required services or its breach of this agreement, to the County personnel to provide replacement services, and to search for and obtain replacement services. Accordingly, if Contractor fails to perform the services required by this agreement or otherwise breaches any of its obligations in the times specified in this agreement, then Contractor shall, in place of actual damages, pay the County liquidated damages in the amount of \$2,625 for each 24 hour period and for each security post for a maximum of \$10,540 per 24 hour period/day in which it has failed to perform the required services or is in breach of any of the terms of this agreement. Contractor shall also be liable for liquidated damages if the County terminates this agreement for cause or because of Contractor's default until such time as the County is reasonably able to otherwise obtain the required services. The liquidated damages specified in this section shall be in addition to any other damages or costs provided by any other provision of this agreement or any other legal remedies available to the County.

15. PERMITS, TAXES, LICENSES

Contractor is responsible for all necessary permits, licenses, fees and taxes required to carry out the provisions of this contract. The financial burden for such expenses rests entirely with the Contractor providing the service under the contract.

16. TERMINATION BY CONTRACTOR

Contractor may, at its option, terminate this Contract upon the failure of the County to pay any amount which may become due hereunder for a period of forty-five (45) days following submission of appropriate billing and supporting documentation. Upon said termination, Contractor shall be paid the compensation due for all services rendered through the date of termination including any retainage.

17. TERMINATION BY COUNTY FOR VIOLATIONS BY CONTRACTOR

If Contractor fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, County shall thereupon have the right to terminate it by giving thirty (30) days' written notice of termination of contract, specifying the alleged violations and effective date of termination. It shall not be terminated if, upon receipt of the notice, Contractor promptly cures the alleged violation prior to the end of the thirty (30) day period. In the event of termination, the County will only be liable for services rendered through the date of termination and not for the uncompleted portion, or for any materials or services purchased or paid for by Contractor for use in completing the Contract.

18. UNRESTRICTED RIGHT OF TERMINATION BY COUNTY

The County further reserves the right to terminate this Contract at any time for any reason by giving Contractor thirty (30) days' written notice by Certified Mail of such termination. In the event of said termination, Contractor shall reduce its activities hereunder as mutually agreed to, upon receipt of said notice. Upon said termination, Contractor shall be paid for all services rendered through the date of termination. This section also applies should the Milwaukee County Board of Supervisors fail to appropriate additional monies required for the completion of the Contract.

19. FUNDING

If funds are not appropriated for payment of this contract, the County may terminate the contract upon thirty (30) days' written notice without any early termination penalties, charges, fees, or costs of any kind to the County.

20. COOPERATION UPON TERMINATION

Contractor must cooperate with the County in the event of termination so as to ensure that the County can maintain continuity of service delivery. Such cooperation will include the provision to the County of the names, addresses and telephone numbers of personnel, independent Contractors and subcontractors as well as salaries, organizational charts, certifications, lists of all subcontractors with names, addresses and telephone numbers with M/W/DBE designation as appropriate, and any other necessary information to ensure that the County can maintain continuity of service delivery addressed in this Contract. Contractor must provide said information prior to the effective date of the termination or contract end.

21. INDEPENDENT CONTRACTOR

Nothing contained in this Contract shall constitute or be construed to create a partnership or joint venture between County or its successors or assigns and Contractor or its successors or assigns. In entering into this Contract, and in acting in compliance herewith, Contractor is at all times acting and performing as an independent contractor, duly authorized to perform the acts required of it hereunder.

22. SUBCONTRACTS

Assignment of any portion of the work by subcontract must have the prior written approval of the County.

23. ASSIGNMENT LIMITATION

This Contract shall be binding upon and inure to the benefit of the parties and their successors and assigns; provided, however, that neither party shall assign its obligations hereunder without the prior written consent of the other.

Contractor is prohibited from assigning this Contract, in whole or in part, without the prior written consent of the County, evidenced by a resolution that has been fully adopted by its Board of Supervisors. Notwithstanding the foregoing, Contractor may, with 21 days written notice to the County assign this Contract in its entirety to any entity that acquires all of substantially all of the assets of Contractor.

24. PROHIBITED PRACTICES

- A. Contractor, during the period of this Contract, shall not hire, retain or utilize for compensation any member, officer, or employee of County, or any person who, to the knowledge of Contractor, has a conflict of interest.
- B. Contractor hereby attests that it is familiar with Milwaukee County's Code of Ethics which states, in part, "No person may offer to give to any County officer or employee or his immediate family, and no County officer, or employee or his immediate family, may solicit or receive anything of value pursuant to an understanding that such officer's or employee's vote, official actions or judgment would be influenced thereby."

25. CONTRACTOR CONDUCT

If there is a Request for Proposal (RFP) or an Invitation to Submit a Proposal (ISP) associated with this Contractor, during the time that the RFP or ISP is in process, i.e. from the date an RFP is issued by the County to the date Contractor is selected and a contract is executed, if applicable, no gratuities of any kind may or will be accepted by any County employee or official from the Proposer's employees, agents or representatives including contributions, meals, gifts or trips, except as provided for as reference site visitations and/or during oral presentations and finalist evaluations. Violation of these conditions will constitute immediate disqualification and termination of this Contract.

26. CODE OF ETHICS

Contractor hereby attests that it is familiar with Milwaukee County's Code of Ethics which states, in part:

No person may offer to give to any County Officer or employee or his/her immediate family, and no County Officer or his/her immediate family may solicit or receive anything of value pursuant to an understanding that such officers or employees vote, official action or judgment would be influenced thereby.

During the period of this Contract, Contractor shall not hire, retain or use for compensation any member, officer, or employee of the County or any person who, to the knowledge of Contractor, has a conflict of interest.

27. NON-CONVICTION FOR BRIBERY

Contractor hereby declares and affirms that, to the best of its knowledge, none of its officers, directors, or partners or employees directly involved in obtaining contracts has been convicted of bribery, attempted bribery, or conspiracy to bribe under the laws of any state or the federal government.

28. NOTICES

Notices to County provided for in this Contract shall be sufficient if sent by Certified or Registered mail, postage prepaid, addressed to (Airport Public Safety & Security Manager, General Mitchell International Airport, 5300 South Howell Avenue, Milwaukee, Wisconsin 53207), and notices to Contractor shall be sufficient if sent by Certified or Registered mail, postage prepaid, to (Vice President Aviation and

Government Services, HSS, Inc., 900 South Broadway, Suite 100, Denver, Colorado 80209), or to such other respective addresses as the parties may designate to each other in writing from time to time.

29. MEDIA RELEASES AND CONTACT

Contractor's staff, independent contractors and subcontractors shall be restricted from releasing any information about the contract or events occurring within a County facility to a public forum or to the media without the authorization of the County and coordinated through the parties' public information representatives.

30. AIRPORT SECURITY

Contractor covenants and agrees that it will at all times maintain the integrity of the Airport Security Plan and comply with all laws, statutes, rules, regulations and orders, including Federal Rules 49CFR1542, promulgated by any federal, state or local agency, authority, or officer, including the Federal Aviation Administration (FAA), the Federal Transportation Security Administration and the U.S. Department of Justice.

Contractor, its employees, agents or contractors are expressly required at all times to comply with all laws, statutes, rules, regulations and orders, including Federal Rules 49CFR1542, promulgated by any federal, state or local agency, authority, or officer, including the FAA, the Federal Transportation Security Administration and the U.S. Department of Justice.

Should a penalty be imposed on the County for an incident involving Contractor's breach of security, Contractor agrees to reimburse County for any and all such penalties including, but not limited to, civil fines which may be imposed upon the County by any state, local or federal agency, or officer, including the Transportation Security Administration.

31. MISCELLANEOUS

This Contract shall be interpreted and enforced under the laws and jurisdiction of the State of Wisconsin. This Contract constitutes the entire understanding between the parties and is not subject to amendment unless agreed upon in writing by both parties hereto. Contractor acknowledges and agrees that it will perform its obligations hereunder in compliance with all applicable state, local or federal law, rules, regulations and orders.

32. SEVERABILITY OF PROVISIONS

If any one or more of the covenants, agreements, provisions or terms of this Contract shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Contract and shall in no way affect the validity or enforceability of the other provisions of this Contract.

33. WAIVERS

No term or provision of this Contract may be waived or modified unless such waiver or modification is in writing and signed by the party against whom such waiver or modification is sought to be enforced. Any

failure to insist upon strict compliance with any of the terms or conditions of this Contract shall not be deemed a waiver of such terms or condition, nor shall any waiver or relinquishment of any right or power hereunder at any time or times be deemed a subsequent waiver or relinquishment of such right or power.

34. BINDING EFFECT

This resulting Contract shall be interpreted and enforced under the laws and jurisdiction of the State of Wisconsin. This agreement constitutes the entire understanding between the parties and is not subject to amendment unless agreed upon in writing by both parties hereto. By mutual agreement, the parties may, from time to time, promulgate scope of service documents to define the scope of services. Such scope of service documents will be incorporated into the Contract. Contractor acknowledges and agrees that it will perform its obligations hereunder in compliance with all applicable state, local or federal laws, rules, regulations and orders.

35. ADDITIONAL CONTRACTUAL TERMS

Contractor Personnel. Contractor shall provide, as described in the Scope of Services (SOS) and/or Contractor's response to the RFP, all personnel necessary to perform the services and tasks described in this Agreement. Such personnel shall not be employees of or have any other contractual relationship with the County. Contractor may not replace or substitute any specific individuals identified in the SOS without the prior written consent of the County. It is understood that any replacement person or persons shall possess substantially equivalent training, skills and levels of competence as the person or persons replaced. Milwaukee County shall have the right to request and require removal of personnel assigned by Contractor to this project and to approve replacement personnel.

Guaranteed Most Favorable Terms. Contractor certifies and agrees that all of the prices, terms, warranties and benefits granted by Contractor herein are comparable to or better than those offered by Contractor to other State and Local Government customers contracting under the same material terms and conditions. As used herein, material terms and conditions include those terms related to the execution of this contract for services procured under this contract and any related pricing. Should Contractor announce a general price reduction or make available to other State or Local Government customers more favorable terms or conditions with respect to any of the services contained in the SOS, such prices, terms and conditions will be made available to Milwaukee County upon the date the general price reduction or more favorable terms and conditions become effective.

Confidential Information. All information obtained or maintained by Contractor of a confidential nature will be kept by Contractor in a confidential manner in compliance and accordance with all applicable State and Federal laws or regulations.

Compliance with Laws. Contractor agrees to comply with all applicable Federal, State, County, and Local statutes, laws, rules, regulations, ordinances, and all policies, procedures, standards and regulations of accreditation agencies or bodies. Contractor agrees to hold County harmless from any loss, damage, or liability resulting from a violation on the part of contractor of such laws, rules, regulations, policies, procedures, standards or ordinances.

36. TECHNOLOGY POLICY

- A. Contractor hereby attests that it is familiar with Milwaukee County's Code of Ethics which states, in part, that "No person may offer to give to any County officer or employee or his immediate

family, and no County Officer, or employee or his immediate family, may solicit or receive anything of value pursuant to an understanding that such officer's or employee's vote, official actions or judgment would be influenced thereby."

- B. Contractor hereby attests that it has been furnished with a copy of Milwaukee County's Use of Technologies Policy which prohibits the inappropriate use of County-provided technology resources. Contractor acknowledges that it has familiarized itself with Milwaukee County's Use of Technologies Policy and that it specifically agrees that it will make its employees and agents aware of the provisions of said policy. County may, at its discretion, require specific users of County-provided technology, to sign a "User Statement" acknowledging receipt of a copy and awareness of Milwaukee County's Use of Technologies Policy.

37. AUTHORIZATION

Milwaukee County has executed this Contract pursuant to action taken by its Board of Supervisors on, _____ Resolution File No. _____.

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USE THE SIGNATURE PAGE IN DOCUSIGN :

GMIA ONLY Professional Services Contract Signature Block

Use this Template as your signature block for all GMIA Professional Services contracts. Please do not modify the values for any pre-filled names or e-mails. If a role requires a change to name or e-mail, that change will be administered by Procurement and the change made to this Template. If you have any questions about the use of this Template, contact the Milwaukee County DocuSign Administrator, Erin Schaffer, at 414-278-4129 or via e-mail at Erin.Schaffer@milwaukeecountywi.gov.

IN WITNESS WHEREOF, the parties hereto have executed this Contract on the day, month and year first above written.

RECOMMENDED FOR APPROVAL:

FOR MILWAUKEE COUNTY

FOR [CONTRACTOR/COMPANY]

Brian Dranzik, Airport Director Date

Signature Date

Above Signature Witnessed by:

Print Name

Reviewed by County's Risk Management:

Title

By Risk Management Director Date

EIN / Taxpayer ID No:

*Approved with regards to Milwaukee County
Ordinance Chapter 42:*

Above Signature Witnessed by:

By Community Business Development Partners/
Date

*[IF PRINCIPAL IS A CORPORATION
IMPRINT CORPORATE SEAL]*

Approved as to Execution:

By Corporation Counsel Date

Approved as to Wis. Stats. §59.42:

Corporation Counsel Date

*Approved as to funds available per Wis. Stats.
§59.255(2)(e):*

By Comptroller Date

By County Executive Date