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DEVELOPER SETS SAIL

Bernstein Cos. stakes \$92 million on the promise of Washington's Navy Yard in Southeast.

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Armed with contract, Formtek prepares for takeoff

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STAFF REPORTER

A D.C.-based software firm is getting back to its roots.

Formtek, which makes document storage software and once was owned by Bethesda-based Lockheed Martin, plans to use a \$78,000 contract with the Air Force as a launching pad into increased federal work.

Dennis Scanlon, chief operating officer of Formtek, says the company now targets commercial customers in telecom and manufacturing. However, the firm is setting its sights on winning more government work.

"This is definitely leading to more work with the government on the state and federal level," he says.

Formtek, which was founded in 1983 in Pittsburgh, migrated from defense-related work to commercial work in the late 1980s and early 1990s. Today the firm is poised to

move back into the federal sector as federal agencies invest more money in shifting from paper documents to electronic files.

Executives hope the company's work with 92nd Civil Engineering Squadron, which is based at the Fairchild Air Force Base in Washington state, will serve as a foundation to help Formtek build a reputation with the military and other federal agencies.

"Federal agencies have countless documents that are secret and need to be kept secret," Scanlon says. "Our software allows them to do that."

Formtek (www.formtek.com) is taking more than 75,000 paper documents — such as maps and related engineering work — and converting them into digital files that can be stored on secure computer networks.

Document management — beginning with converting paper files to electronic files and ending with secured storage and access to

those files — has grown into one of the hottest areas of software development. Local players in the market, in addition to Formtek, include the Reston-based subsidiary of Software AG and Herndon-based Infodata Systems. Both companies develop and sell software used to convert and store documents on computers instead of filing cabinets.

Edwin Miller, CEO of Infodata, says today's regulatory and compliance environment is only getting more restrictive for all federal agencies. There are as many as 4,000 new rules being created by 160 federal agencies each year, he says, based on laws passed by Congress.

Agencies and the military are turning to private software developers to get help complying with the new laws.

Industry analysts estimate the market for this type of software, which is known as enterprise content management, is worth nearly \$10 billion today and could grow to

be worth more than \$15 billion in the next year. A sizable portion of that, researchers say, is going to come from federal customers.

"The federal space is only getting stronger for this type of software," says John Givens, market researcher at Dallas-based Tollinghouse Associates, a small market research firm.

The potential for increased sales drove Formtek back to the federal market, officials say. The company won its first federal contract in 1988, but was bought the next year by Lockheed and rolled into Lockheed Martin's commercial systems unit after the merger in 1995.

D.C.-based DFI International (www.dfi-intl.com), a government research and consulting firm, bought Formtek in 2002 for an undisclosed amount.

Company executives decline to disclose any financials for Formtek.

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