

Oneida Business Committee Agenda Request

XIV.B.05. Accept Oneida Total Integrated Enterprise FY '15 3rd quarter report

1. Meeting Date Requested: 9 / 9 / 15

2. General Information:

Session: ☒ Open ☐ Executive - See instructions for the applicable laws, then choose one:

Agenda Header:

☒ Accept as Information only

☐ Action - please describe:

3. Supporting Materials

☒ Report ☐ Resolution ☐ Contract

☐ Other:

1.

3.

2.

4.

☐ Business Committee signature required

4. Budget Information

☐ Budgeted - Tribal Contribution

☐ Budgeted - Grant Funded

☐ Unbudgeted

5. Submission

Authorized Sponsor / Liaison:

Primary Requestor: Wilbert "Butch" Rentmeester, OTIE Board Chair
Your Name, Title / Dept. or Tribal Member

Additional Requestor: _____
Name, Title / Dept.

Additional Requestor: _____
Name, Title / Dept.

Oneida Total Integrated Enterprises

3rd Quarter Report 2015 August 11, 2015

Prepared by:

Nick Ni, PE, President

Submitted to:

OTIE Board of Managers: Butch Rentmeester, Chairperson,
Jeff House, Jackie Zalim, Wayne Metoxen, Leslie Wheelock

OTIE Report 01-20150811

Narrative Report

a. Explanation of the core of the Corporation's business practices and market overview

Oneida Total Integrated Enterprises (OTIE) provides environmental, remediation, construction, engineering, and munitions response services to government agencies, as well as commercial clients in the United States and across the world. OTIE's services evolve in response to clients' changing needs. Our core services contribute a majority of OTIE's backlog in response to federal and state project requirements, changing infrastructure demands, and the often accompanying regulatory challenges. We deliver solutions that allow our customers to cost-effectively achieve their mission while adapting to evolving performance parameters.

As a service-based company, OTIE revenue is primarily derived through the labor-based contracts and task orders, rather than capital-intensive project requirements.

Our revenue potential is driven by our ability to retain existing clients as well as attract new ones, provide quality and responsive value-oriented project management at competitive rates, and identify and retain a qualified staff of dedicated employees.

OTIE directs our primary business pursuits from a stable customer base concentrated in federal, State and municipal government entities. Our tribal business, aerospace industry (commercial), and electric utility company contracts are exceptions to OTIE's heavy reliance on government contracting, and in all cases our customer base offers outstanding opportunity for securing projects and targeting:

- long-term, high-dollar contracts to offer steady and profitable backlog
- low risk contracts to stabilize the Company's business base
- capturing market share in emerging or expanding growth markets

OTIE operates in a fiercely competitive, expanding market that seeks diversity and economic vitality through government contracting. Our advantage over emerging small business competitors is maintained through steadfast conformance with quality, safety and contracting/acquisition requirements and regulations imposed by the federal government.

Budgetary reductions, labor constraints and broader recessionary pressures are forcing our customers to award low-price technically acceptable (LPTA) under competitive ID/IQ contracts. As a consequence, OTIE's pricing is marginally decreased for professional services and bids require sharper pricing and more labor investment. Coupled with the investment required for ID/IQ proposal preparation, each technical/price proposal submitted represents considerable investment of limited overhead resources.

As reported in prior Quarterly Reports, the market for our services remains highly competitive. An abundance of Architecture / Engineering / Construction (AEC) firms provide similar services offered by OTIE. Competitive factors for our success include



performance reputation, price, geographic location and availability of technically skilled personnel. We are pleased with our accomplishments and continue the drive to becoming a top-tier competitor.

b. Explanation of the Corporation's current place within the market

OTIE is a Native American, tribally-owned, SBA-certified 8(a) small disadvantaged business (SDB). Other small business (SB) categories in the marketplace include: HUB-Zone; Woman-owned; Veteran-owned; Service Disabled Veteran-owned; Alaskan Native Corporation; Native Hawaiian Owned; and Native American-owned.

We face substantial competition in each of our business profiles as the market crowds and our customers become more price-sensitive. Our competitors are often larger and have greater financial resources, requiring OTIE to be selective in our marketing and sales efforts and more adept in developing strategic partnerships to enhance our competitive advantage.

OTIE's place in the 8(a) market is distinguished from others by our over 25-year performance history: We are a mature, tested and proven SB with a big-business infrastructure. Some of our SB competitors have similar performance tenure in our industry; others in the market are emerging businesses aiming to secure their first federal contracts. We believe that our present size and diversified service offerings relative to the smaller, niche companies are advantageous to OTIE.

Our success in key growth areas demonstrates our ability to broaden our market positions in spite of stiff competition. In two key technical areas OTIE gained traction and increased our visibility and competitive posture in the market:

- **Engineering Services** – Responding to our USAF customer's needs we added new engineering disciplines and staff. OTIE hired mechanical engineers and added depth in electrical and structural engineering, too. We are self-performing several high labor-effort engineering projects that would have ordinarily been awarded to a large business contractor.
- **Environmental Compliance** – New contracts won by OTIE present long-term revenue opportunity and reinforce our position as an elite, small business environmental services provider.
 - US Army Corps of Engineers (various districts) – contracts at Vance, Little Rock, and Altus AFBs; Buckley AFB; Ellsworth AFB; Whiteman AFB; and F.E. Warren AFB.
 - Air Force Civil Engineering Center – Blanket Purchase Agreement (BPA) for Environmental Quality Services.

c. Explanation of the outlines of strategies by the Corporation for improved value in the market

To improve OTIE's value and position in the marketplace we focus on those opportunities where the federal government continues funding and that clearly align with OTIE's customers, such as engineering services, Munitions Response Services (MRS), and design/construction contract management. We also continue to focus on areas that we believe offer attractive enough returns to our clients that they will continue to fund efforts, such as Military Family Housing design (Title I) and construction type services (Title II) including infrastructure improvements internationally, and studies and assessments for improvements in energy efficiency, and facility upgrades.

Specifically, we see the following four elements driving our strategy going forward:

1) Pursuing larger contract opportunities. With continued development of a strong infrastructure and expanded engineering capabilities, we focus on pursuing larger prime contracts and expanding our pool of opportunities. We continue to strengthen our relationships with other firms to create teaming arrangements that better serve our clients. Where we have seen a shift in focus to contracts for small businesses in our secondary NAICS codes, we are developing and strengthening relationships with such businesses so that we can jointly capture some of this work.

2) Leveraging of our services. OTIE has diverse services to offer to a growing customer base. We leverage OTIE capabilities and remain watchful for 8(a) set-asides for OTIE, Mission Support Services (MS2), and Sustainment & Restoration Services (SRS). The combination of our multiple skill sets and broad service offerings allows us to work efficiently in a new economic environment, whether selling services, or via effective use of our design and construction management skills supporting DoD and bridging such skills to other customers.

3) Expanding our international footprint. While OTIE is strong in Japan in Title I and Title II services, expanding design services into our overseas client base will allow for replication of our proven skills and support growing overseas client needs. Basing project management services in Guam will help OTIE embolden our position in Asia/Pacific theater, and to also look for new opportunities in the region.

4) Geographic and client expansion through acquisition. We will direct an active acquisition strategy focused on expanding our ability to offer our technical services to both new geographic areas and new clients, such as NAVFAC and USACE through the acquisition of complementary businesses.

Key long-term clients that will improve OTIE's value and position in the marketplace include the U.S. Army Corps of Engineers, U.S. Air Force, U.S. Navy, EPA and the General Services Administration. Our ability to serve these customers depends on relationships with existing staff and enhanced capabilities and contacts brought to OTIE from new hires. OTIE continues to attract and hire staff that enhance our relationship-building and improve our competitive position in the marketplace.

Our strength in the market is built on relationships with key customers, and an ability to discover new opportunities early in the acquisition cycle. OTIE's strategy is to:

- Get in front of the right people
- Present compelling information and arm the company with winning tactics
- Partner with proven industry leaders preferred by the customer
- Reinforce our sales tactics with proven past performance.

By marketing to the right decision-makers, and conducting objective determinations on potential for success, OTIE fiercely competes when probability for success is high, and we forego opportunities where we see minimal chance of success. Using this focused approach reduces costs and improves our win percentage, both of which are key components of building value in the marketplace.

d. **Explanation of the Corporation's relative performance vs. competitors and identification of key competitors within the market**

OTIE's SBA-approved 8(a) competitors include Alaskan Native Corporations (ANCs); Native American, tribally-owned SBs; and Native Hawaiian Organizations (NHOs). Federal agencies may award new contracts without competition to ANCs, tribally-owned 8(a) SBs and NHOs. OTIE also competes against other 8(a) firms for set-aside acquisitions, including SBs that are categorized as Woman-Owned, Minority Business Enterprise, HUBZone, Service Disabled Veteran Owned SB, and others.

Typical competitors for OTIE include:

- Small Business firms with fewer than 500 employees in NAICS 562910 (e.g. EA; Baywest; Zapata Engineering; TechLaw and others) and regional Transportation engineering firms in Wisconsin.
- Current 8(a) small businesses (Ayuda, Earth Resources Technology; Prudent Technologies; Dawson Group; CTI & Associates and others).
- 8(a) "graduates" (e.g., Bhate, Cabrera, Cape, HydroGeoLogic, ERRG, Sullivan, Tidewater, Terranear PMC, Nobis and others). These SBs are now mature businesses with robust past performance and current customers that keep them "entrenched" at specific federal installations.

OTIE continues to be viewed by other SBs as extremely competitive on major ID/IQ prime acquisitions. Our federal agency customers have commended OTIE on the high quality of our ID/IQ contract proposals, as well as the ease of negotiations and businesslike interactions. In general, our customers view OTIE as a robust, durable and agile Small Business with big-business infrastructure.

Regarding task order proposals, OTIE has struggled against other Small Business competitors to win work on ID/IQ contracts. We fair better under Best Value

procurements and tend to lose out on opportunities awarded based in Low-Price, Technically Acceptable evaluation.

Viewing OTIE's competitive position from a geographic perspective, we remain very well positioned for continued DoD work overseas. We are even better positioned for diverse set of engineering design and construction requirements in Asia/Pacific based on the establishment of OTIE's Guam office location. The increased DoD force posture in Asia aligns with OTIE's planned growth: We are pre-positioning OTIE for lucrative contract performance in the Asia/Pacific theater where DoD focus has pivoted, and we are reaping the rewards of the long-term vision and investments made.

OTIE has garnered nationwide (and international) attention as a vigorous small business competitor. We hold a wide variety of federal contracts, and the diversity of these contracts sets us apart from most of our competitors.

e. **Explanation of any material changes or developments in the market or nature of business the Corporation is primarily engaged in since the last reporting period**

In FY14, the market and nature of contracting shifted even further toward contract awards under low-price schemes. For example, opportunities for "*PBR Gap*" contracting reflect the DoD's concession to an imperfect Performance-Based Remediation (PBR) model. Additional, unforeseen contracts will be awarded to new contractors and for work scopes that were not envisioned when the initial, comprehensive PBR contracts were let. The PBR Gap contracts will be lower dollar threshold opportunities, and will become potential opportunities for OTIE's pursuit in FY16 and beyond.

In addition to a preference for low-bid contract awards, in FY14 we witnessed the continued, government-wide preference to procure Multiple Award Task Order Contracts (MATOCs) as the default acquisition strategy. Observations by our customers over past few years indicate a favorable bid climate, which is forcing contractors to sharpen their fee proposals and cut costs wherever possible.

One of the last agencies to adopt MATOC strategies is USEPA, whose Remedial Action Contract (RAC) acquisition strategy for decades has relied on single awards in each EPA Region. In a departure from this contracting strategy, EPA is adjusting its Remedial Action Framework and procuring multiple-award contracts. Small Business contract competitions are poorly understood, as the agency has provided conflicting information, but OTIE will compete for these key contracts in select Regions even if the procurements are advertised on an unrestricted basis.

The bias toward MATOC contracting by federal agency customers affects our competitors more so than ourselves. As an over 25-year experienced 8(a) firm, OTIE counterbalances our ID/IQ contract portfolio with a blend of MATOC and single-award contracts where competition is not required for task order assignment.

Perhaps the most significant development in the market for all Small Businesses in NAICS 562910 (Environmental Remediation) is the proposed Rule Change by SBA to increase the size standard from its current 500 employee maximum to 1,250 employees. If the size standard is increased, OTIE will compete against firms that are substantially larger and that have access to far more resources. OTIE submitted comments to the SBA in January 2015; we expect a full year of government deliberation before a final determination to accept or reject the proposed increase in size standard to 1,250.

To counteract the potential increase in OTIE's Small Business Size Standard, it becomes critical that the Oneida Tribe invest in new 8(a) subsidiary companies. The invested capital can help our "sister" companies build a performance history to compete for more direct awards, and to become competitive entities and acquisition options for our federal customers. With a diverse roster of Small Business NAICS codes, the Tribe will have breadth of competitive, SB possibilities.

Our ability to adapt to the evolving needs of the federal marketplace has enabled OTIE to build a resilient business that is closely aligned to the spending priorities of our federal clients. Because we are accustomed to competing against formidable small and large businesses, OTIE is configured to succeed in an atmosphere of increased competition and reduced budgets. Our business development strategies aim to collect early information on upcoming procurements, affording us time to develop winning strategies and allowing us to sharpen our pricing.

f. Identification of the primary goals and targets of the Corporation and progress made towards accomplishment of the same

Goals for OTIE

Growth is the primary business goal for OTIE. Success for OTIE comes when we align and invest along growth profiles and manage/measure accordingly to make sure that our clients prosper.

In the third fiscal quarter of FY15, we have observed a pronounced rebound from several quarters of delayed contract starts. We continue to see an upward trend over the course of this year—a welcomed return that signifies a potential return to more predictable contracting and project delivery conditions.

At the same time, other measures of sturdy business performance—including the utilization rate of technical staff, and the booked backlog—show that we are converting market vitality into growth and prosperity. Leaning into the last fiscal quarter we anticipate safety-focused, quality driven services, and rewarding performance at end-of-year.

We are pleased to have secured new contracts with three new Federal customers in key growth areas, potentially bringing the promise and opportunity for continued geographic expansion and service diversification particularly in the Western US. The new customers and contract wins include:

- Small Business competitive contract award with US Bureau of Indian Affairs for Operation and Maintenance at a soil remediation site in – Ponson, AZ
- 8(a) Direct Award with the US Army Environmental Center for Long-Term Monitoring at the Red River Army Depot, Texarkana, TX
- 8(a) Direct Award with the US Fish and Wildlife Service for skeet/trap range remediation at Leavenworth Fish Hatchery located in Leavenworth, WA

We also anticipate a 4th Quarter award of an 8(a) set-aside ID/IQ contract with the Naval Facilities Engineering Command Expeditionary Warfare Center (NAVFAC EXWC) in Port Hueneme, CA. This win will be a significant achievement that provides vast opportunity for support to the Navy's Munitions Response Program and for future contract pursuits as a prime NAVFAC contractor.

These federal task order awards were augmented by other contract starts with the Oneida Tribe and Wisconsin Department of Transportation (WisDOT), plus healthy growth on the existing AE Services contract supporting the USAF 45th Space Wing (RAEIS).

Going forward, OTIE will leverage opportunities and advantages of our SB status—we will pursue two avenues: compete for 8(a) set aside contracts and aggressively solicit sole-source 8(a) contracts from existing and new customers.

Targets for OTIE

OTIE targets growth in government contracting where our skills and experience align with our customers' mission priorities. In the aggressive market of federal agency contracting - especially in times of budgetary uncertainty - every advantage counts to maintain OTIE's position in the elite levels of SB contracting. Gaining a competitive advantage takes strategic planning and research to focus on opportunities that are robust (high confidence customer spend) and enduring (affording long-term growth opportunity). We pursue emerging or growing markets and seek entry and profit in these areas, while closely monitoring entry costs and barriers. Identified market segments for expansion by OTIE include:

- Facility/infrastructure engineering and asset management
- Fence-to-Fence (F2F) environmental quality services
- Munitions Response Services (MRS)
- Expansion of USEPA services, contracts and Regions
- Growth in the Asia/Pacific market

Described below are the accomplishments for OTIE's targets.

Facility/infrastructure engineering and asset management – aging DoD real property/infrastructure is a target with legitimate potential for sustained growth. Over the last five years OTIE has expanded the engineering services we provide to our customers. Presently we have engineering projects in the mainland US plus Hawaii and Alaska and at DoD installations in Japan and Korea. We are winning engineering projects for facility/infrastructure design improvements that have typically been awarded to competing engineering giants like Jacobs Engineering, AECOM, and CH2M Hill. *OTIE was awarded a PACAF multi-base task order for Asset Inventory for Water Treatment Plants, identifying areas of vulnerability, and recommending system improvements.*

Fence-to-Fence (F2F) environmental quality services – OTIE has benefited by holding prime contracts with USACE Districts that are serving the US Air Force's needs for base-wide environmental services. We have a current backlog for F2F services and we anticipate proposing on several additional opportunities in FY15. The skillsets required to deliver F2F services match a key performance skill in the company's over 25 years in business – environmental and engineering consulting. We see the F2F market as being far lower risk than base-wide Performance Based Remediation (PBR) opportunities that we largely avoid. *OTIE won a multiple-award Blanket Purchase Agreement for F2F task orders in FY14.*

Munitions Response Services (MRS) – OTIE's investment in the MRS market in FY13 began when we acquired OER. With OER's personnel, skills and experience we are now one of the only 8(a) firms with broad capability and past performance in MRS, affording significant competitive advantage to OTIE. This service line and its growth profile are "target rich" and we will compete for small- and large projects going forward. *OTIE won a subcontract to Manson Construction for Pier 12 MEC clearance supporting NAVFAC Southwest Division in a high-visibility area of San Diego, CA.*

Expansion of services/contracts with USEPA – OTIE was awarded an important work assignment at the AMCO site in Northern California under the USEPA Region 9 8(a) RAC. In addition, we were contracted under GSA tools for continued START service support in EPA Region 4, and we await contract award for a follow-on long-term START III contract. *Long-term, high dollar contracts are targeted by OTIE, and in FY15 we will compete for Design and Engineering Services (DES) in several EPA Regions under the revised Remedial Action Framework.*

Growth in the Asia/Pacific market – projects performed by OTIE in Asia over the past eight to ten years total over \$35M under Air Force and USACE contracts. In FY13 we sought client diversification to broaden our opportunity for continued regional growth. Then in FY14 we expanded our service offerings under task orders for several engineering projects including one with an Asset Management SOW. *OTIE has been selected for award by AFCEC on two, worldwide AE Services*

contracts and we anticipate final resolution on the contract disputes (by other firms) in FY15.

g. Identification of key elements for success in strategies given, including risks, resources and relations available and needed in order to successfully fulfill outlined strategies

To uphold and fulfill OTIE's value and position in the marketplace we focus on those opportunities where the federal government continues funding and that clearly align with OTIE's customers, such as engineering services, Munitions Response Services (MRS), and design/construction contract management. We also continue to focus on areas that we believe offer attractive enough returns to our clients that they will continue to fund efforts, such as Military Family Housing design (Title I) and construction type services (Title II) including infrastructure improvements internationally, and studies and assessments for improvements in energy efficiency, and facility upgrades.

We have methodically grown OTIE into its present configuration as an elite, highly capable small business, and we have out-competed small and large businesses for some of our industry's most prized contracts. As a very credible competitor, our staff growth and geographic distribution enhances our win potential and our resources to serve customers. Going forward a challenge for our Regional Managers and Business Unit Managers is to identify and equip Project staff to continue to grow the business. Our service lanes are sturdy, lucrative and rich in potential, and we anticipate much prosperity in the years to come.

Fundamental keys to our success are our personnel, infrastructure, financial strength, and cost-consciousness. If any one of these requirements is neglected, OTIE will miss our goals and targets, and competitors may capitalize on weaknesses and gain market advantage. These key OTIE features mold our strategies and processes for identifying the growth opportunities that align our business – services, customers, channels and geographic areas – and augment the largest proportion of revenue and profits.

The primary key to OTIE's continued success is to remain customer focused, sensitive to the mission, and adaptable to change. More specific customer focused factors for sustained growth include:

- A customer-focused growth strategy that is based on OTIE's existing customers. This strategy involves creating High Impact Value Propositions for new customer sub-segments. Underpinning this strategy is the willingness to view customers through a different set of lenses, and cross-marketing OTIE's other service capabilities to new sub-segments of our long-standing customer base. For example, the USACE Sacramento District continues award new contracts to expand the services that they expect OTIE to provide, directing work away from our incumbent subcontractor.
- A customer-focused strategy that penetrates agencies with strong strategic links to OTIE's core – creating adjacent business lanes. For example, we have engineering depth and past performance that very well equips us to enter the

growing Asset Management market. OTIE's USAF customers are now relying on an Integrated Priorities List (IPL) as a tool to obligate priority requirements that support the mission and make sense from economic and environmental stances. With the new AFCEC contracts we have the primary contract tool used by one of our key customers, and *we anticipate hiring to become fully configured for success in Asset Management.*

- Customer and contract-focused strategies are needed to succeed on existing ID/IQ contracts. Despite having won an abundance of prime contracts, we have suffered losses on competitive task order proposals, losing on both cost and technical approach. Competent and compliant proposals are valued and demanded by our customers. OTIE's strategy to remain customer-focused on ID/IQ proposals will incorporate a performance assessment to evaluate proposal responsiveness, win or lose. *Strong leadership practices at every level of the organization are needed in order to successfully fulfill our mission.*

OTIE's organizational structure aligns with client expectations and industry standards. Being customer focused, we grow the business by implementing principles and strategies to:

- Organize work around results that customers consider valuable
- encourage operational accountability and concentration on high-quality achievements;
- create streamlined and flexible relationships in response to customers' evolving needs; and
- provide employees with corporate support required to create opportunities and grow our company.

As presently organized and staffed, OTIE successfully strengthens our market position based on our methodical business development and responsive value-added proposals. We generate revenue and profit after successfully winning work under our hard-fought contracts. And we provide an outstanding level of service delivery, which ultimately determines our customers' propensity and desire to continue a business relationship with OTIE. Supporting all that we do is sturdiness in our finance and accounting capabilities – a key infrastructure component that often retards growth by our smaller competitors. As OTIE continues to grow, a strategic investment in the financial management system, human resources support capability and IT capacity is being analyzed.

OTIE Educational and Other Outreach Programs

OTIE continues to implement its outreach programs with the Oneida community and membership that focuses on the Oneida youth, elders and veterans. Our support in educational activities and opportunities for Oneida youth to encourage their

consideration of careers in engineering and science will include: 1) sponsorship of up to two Oneida high school students to attend a Milwaukee School of Engineering summer camp session to learn more about engineering and a potential career in the engineering field; 2) award up to two \$5000 merit scholarships to an Oneida-member high school senior and/or a college-level senior for excellent academic performance and the desire to study the sciences for a potential career in engineering or environmental sciences; 3) a \$5000 sponsorship of a math and technology camp for Oneida middle school students with the assistance of the Oneida Higher Education program and Northeast Wisconsin Technical College.

OTIE will also continue to sponsor ongoing tai chi and chair yoga exercise classes for the Oneida elders to support the health and well-being of the elders. This sponsorship is accomplished with the assistance of Oneida Elder Services and the Oneida Fitness Center. OTIE will explore available sponsorship options with the Oneida Veterans group.

h. Identification of medium (two to five year) and long (greater than five year) prospects and sustainability of the Corporation given the present status, strategies and risks

Past performance is often the most reliable predictor of future potential, particularly in high-labor businesses like engineering and environmental services. The fourth fiscal quarter is traditionally when the majority of government agencies spend the majority of their budgets, fearing the repercussion of a “use it or lose it” funding stream.

The first six months of 2015 have seen much progress on the defense related appropriations and authorization fronts. For the first time in nearly two decades, we stand to see the National Defense Authorization Act (NDAA) passed out of both legislative chambers, conferenced within those chambers and sent to the President for his signature before the August recess. (The authorization bill is the policy vehicle in the process.)

Fortunately for OTIE, the global A/E/C market is undergoing a healthy growth period buttressed by an investment appetite on the global scale. However, growth will be neither open-ended nor similar across the various areas of engineering and construction services that OTIE delivers. And as we have seen in the past, even a robust NDAA can become moribund in the hands of overworked DoD agency PMs and contracting officers. Nothing is certain, but it appears that a strong 4th Quarter and 2016 are in the workings.

We have successfully groomed long-term business relationships with key DoD agencies for services delivered around the world, and we are poised to benefit from an anticipated recovery and continued “rebalancing” to the Asia/Pacific theater. Despite budget vacillation, government contracting remains an exceptionally reliable market in terms of payment, stability, and growth opportunity. Our medium- and long-term prospects reinforce our projections for steady, sustained growth.

Medium-term prospects

OTIE's prospects in the two- to five-year term rely on our sturdy performance in engineering, science and construction to existing clients; adjacent clients/services and geographic areas; and new service offerings to new clients.

OTIE's increased focus and investment in business development and talent acquisition has allowed us to significantly increase both new task orders and backlog going into FY15. We continue to strongly believe that OTIE's capabilities and strengths align well with the future needs and demands of our clients.

Existing Services/Existing Clients

Quality service to existing clients is a top priority for OTIE, only exceeded by safe work practices in all that we do. Outstanding performance allows our good reputation to flourish and paves the way for follow-on contracts and task order opportunities.

OTIE will continue providing services to our existing customers, aiming to exceed expectations and become the preferred provider. Internationally and locally we see very strong alignment between our capabilities and the services our customers require, including WisDOT, Oneida Tribe, DoD and EPA.

In FY15 we continue to reinforce key growth areas for DoD customers: Munitions Response Services and traditional engineering services, strategic actions by the company that provide legitimate growth and align with our customers' spending trajectory.

- **Munitions Response Services (MRS)** – OTIE has invested in this growth market but the activity has been slow to kick in. Federal agency properties encumbered by MEC will not get magically remedied, and OTIE is poised to capture market share in MRS in spite of the slow start that our industry has experienced. Our challenge is to become better recognized as a safety- and quality-focused “go-to” MRS provider in any location. Additionally, the combination of our core capabilities is an important MRS selling feature as customers look for a single source to meet their needs. OTIE is competitive among the firms that combine MRS with environmental engineering design and construction capabilities in “one package.” Our acquisition of OER and their technical capabilities has expanded our ability to deliver broader capabilities in a full range of situations, and with support from specialty providers, such as geophysics. We will actively pursue customers that require combined services as we leverage our capabilities into the changing economic environment.
- **Engineering Services** – coupled with OTIE's consistent performance for WisDOT and other engineering customers, our new Asset Management task orders open significant growth potential in engineering services. Firms that engage early in the asset management process have the advantage of time and knowledge. By knowing the spending priority for capital investments and

infrastructure sustainment, restoration and modernization, OTIE will gain crucial intelligence and position for design contract opportunities. The deferred maintenance on building systems remains a phenomenal growth opportunity in the next several years. With higher direct labor utilization than construction type projects (where subcontracting is a substantial portion of project budgets) OTIE can expect strong financial performance in Engineering Services. The higher labor utilization can drive down overhead, so a “flywheel effect” is created, permitting re-investment and continued growth in Engineering Services.

Customers will continue to rely on OTIE as integral to their success — by delivering their most valuable projects safely, on time, within budget, and to their quality requirements. In the two- to five-year term we will work closely with them to find practical and innovative solutions, adding value to their every challenge.

“Adjacent” Clients, Services and Geographic Locations

Bridging out to new clients or offering new services to existing clients is an important component of our vision for growth. OTIE’s two- to five-year strategy is to start this process by focusing on current customers whom have strong strategic links to the core of our business. Meetings with the most creative/innovative customers can be a valuable source of potential opportunity for OTIE. By learning about ties to other agency customers, presently preferred providers, contracting preferences, and even philosophy on joint ventures or contracting strategies, we learn about barriers to entering “adjacent” service lanes and geographic markets, thereby serving different customer segments and potentially re-designing the customer’s value chain.

New/Strategic Services, Clients and Geographic Locations

OTIE is expanding to meet customer requirements by adding engineering disciplines including electrical, mechanical and structural engineering. We see these key areas as having growth potential in the near future with current and future clients.

We will continue to market for additional services to customers in Japan, where OTIE has a stronghold, and in Korea, where OTIE is completing two task orders for the US Air Force. Year after year, OTIE sees impressive profits from our work in Asia. Additional investment and market penetration are justified as we align and invest in our growth portfolios, and manage/measure performance accordingly. In the remainder of 2015 we will pursue further geographic growth, positioning for additional work in theater as our US DoD customers rebalance the force to Asia and the Pacific. Initially targeted regional growth areas include Singapore and Australia, with new hires being considered for OTIE.

These and other new customers and locations present outstanding opportunities for service growth and diversification. In FY15 OTIE continues the drive to target customers and new markets for additional projects.

Long-term prospects

Our business performance is directly related to federal spending. The federal budget deficit and the national debt exact pressures requiring our customers to examine and reduce spending which, for the DoD for the next 10 years has been reduced. Long-term changes in fiscal and economic conditions could materially impact our business, including: how spending reductions are implemented, including sequestration; future government shutdowns; and growth or contraction in the nation's debt ceiling.

In spite of considerable budget constraints, OTIE envisions steady growth with our DoD and USEPA customers. Considering that over one-third of the federal budget is devoted to defense spending, OTIE delivers projects where funds historically flow and our competitive posture has continued to improve in the last decade.

We believe that 2015 to 2020 will be strong years for OTIE. Being well positioned in key markets and critical geographic locations, we are confident that the long-term strategy of diversifying our offerings, maintaining geographic reach, and focusing on our customers' business objectives will continue to serve us well. The prospects look particularly optimistic in the Asia/Pacific region, where OTIE has methodically expanded our presence and our service offerings.

For the last two years of OTIE's 8(a) status our primary business objective will remain capturing and safely delivering on 8(a) contracts. With over 25 years of business experience OTIE differentiates ourselves from other, emerging 8(a) firms that lack the infrastructure, experience, and reliability in the federal marketplace.

OTIE is prepared for graduation from 8(a) status. We know from experience not to rely on "graduation gifts" and that the best success strategy is to be prepared and to be experienced competing for work. A standing agenda topic in Executive Management meetings will be OTIE's exit from the 8(a) program.

- i. **Explanation of market growth (if any) experienced by the Corporation, identifying sources of growth (i.e., organic growth through market share increase, volume of business increase, acquisition of competition or other assets, etc.)**

In FY15 OTIE has added staff to meet the increased workload under contracts such as the AFCEC AE13ES and AE13DCS contracts. We have already added a dozen staff in Florida to support RAEIS, and we anticipate growth continuing to meet the goals established by the President of OTIE. Organic growth will remain our primary method of expanding business volume and market share.

In addition to internal or organic growth, our current strategy involves growth through additional acquisitions of complementary businesses, as well as growth from acquisitions that would diversify our current service offerings. We frequently engage in *ad hoc* evaluations of potential acquisitions which, if warranted are further explored. Ultimately, and if consummated, new acquisitions could be significant to OTIE's growth.



As a top-tier contractor to the federal government, OTIE has a large and diverse blend of federal, State, municipal, tribal and commercial business customers. We provide science, engineering, construction, and specialized technical services to DoD, USEPA, WisDOT and other customer groups in support of a wide range of mission-critical programs. Being pre-positioned in Asia, we see outstanding potential for market growth internationally and in the Continental US.

- j. Summary of the assets of the Corporation, including but not limited to its financial, physical, employee, customer, brand or intellectual property, and supply assets.

OTIE ASSETS

Financial (On Balance Sheet)

Cash –Checking Accounts

Accounts Receivable from Customers

Work In Process on Current Projects

Fixed Assets such as Vehicles, Furniture and Fixtures, Survey Equipment, Monitoring Equipment

Goodwill from the purchase of T N & Associates

Other Assets such as Prepaid Expenses, Investment in Joint Ventures

Employees

Total of 297 Employees

88 Engineers

67 Scientists

15 Construction Professionals

26 Technicians

7 Skilled Trades

44 Administrative

4 Land Surveyors

7 Marketing

39 MMRP/UXO Specialists

Customers

74% of Revenue from our Federal clients, such as the Department of Defense, which includes the Air Force, Navy, and Corps of Engineers. Other Federal clients include the Environmental Protection Agency

5% Commercial –WE Energies, Raytheon

11% State and Municipal – WI Department of Transportation, California National Guard, Ventura County, City of San Marcos, Division of State Facilities

10% from Oneida Nation

- k. Summary and status of any pending legal action to which the Corporation is a party and any relevant government regulation to which the Corporation may be subject.

OTIE is named as a defendant in a lawsuit filed by the artist of a mural. The case is Kammeyer v. USACE.

In 1976, Kammeyer painted a mural on a dam in California after winning a contest. The mural was painted as part of the bicentennial celebration. Over time, the paint began to flake off, thereby contaminating the environment around the dam. The USACE Los Angeles District recently determined that the paint used to create the mural was lead-based. OTIE was hired by USACE to remove a mural to stop the lead-based paint contamination. Several months after the contract was awarded, Kammeyer filed a lawsuit against USACE and OTIE to prevent the destruction of the mural. Shortly after filing the lawsuit, Kammeyer filed a temporary restraining order against USACE and OTIE in June, which was granted by a judge one day before OTIE was to begin removing the mural. OTIE demobilized from the site at USACE's direction.

OTIE has hired local counsel to represent OTIE's interests in the lawsuit. OTIE requested plaintiff's counsel to remove OTIE from the lawsuit by not including OTIE as a defendant in plaintiff's second amended complaint. Plaintiff's counsel refused. OTIE next step is to decide whether to file a motion to dismiss. We may wait until after the hearing on August 19, because there is a chance the matter could be resolved at that time.