

Oneida Business Committee Agenda Request

1. Meeting Date Requested: 12 / 09 / 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:

Business Committee approval of report

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 Rentmeester, OTIE Board Chairman

Your Name, Title / Dept. or Tribal Member

Additional Requestor:

Name, Title / Dept.

Additional Requestor:

Name, Title / Dept.

Oneida Business Committee Agenda Request

6. Cover Memo:

Describe the purpose, background/history, and action requested:

Corporate reporting requirement - Business Committee approval of report

1) Save a copy of this form for your records.

2) Print this form as a *.pdf *OR* print and scan this form in as *.pdf.

3) E-mail this form and all supporting materials in a **SINGLE** *.pdf file to: BC_Agenda_Requests@oneidanation.org

Oneida Total Integrated Enterprises

PRELIMINARY **4th Quarter Report 2015** **November 17, 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 01-20151117



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 provide 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 roster 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.

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.

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. We pride ourselves in offering "no drama" project performance, and continued requests for OTIE project leadership occurs.

We face substantial competition in each of our business profiles as markets crowd and customers become more price-sensitive. Within Small Business circles, OTIE remains a sturdy, medium-sized competitor. Some competitors are large firms with vast 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.

Looking at the 8(a) market, OTIE is distinguished from others by our size and longevity as a company. Now in our third decade of business operations, we are a mature, tested and proven SB with infrastructure that rivals many large businesses. 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 requirements by adding new engineering disciplines and licensed staff. OTIE fortified our mechanical, electrical and structural engineering capabilities and we now self-perform challenging engineering projects that would have previously been subcontracted to team partners.
- **Environmental Response** – OTIE won the re-compete of EPA Region 4's Small Business START contract. This win represents long-term revenue opportunity and promotes employee retention where, without this contract, employees would have been furloughed or relocated.
- **Environmental Compliance** – OTIE won a contract for site investigations in 22 locations for an emerging groundwater contaminant known as perfluorinated compounds (PFCs). This project offers follow-on potential if executed to the client's expectations.



The company's position in the marketplace remains healthful and configured for future success. Our financial and project performance are coequal metrics that are tracking along gradual improvement vectors, and are indicative of steady growth instead of punctuated spikes that are harder to sustain.

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 identify opportunities with government and other customers where funding is reliable and alignment with our core competencies is commensal. Examples include engineering services, Munitions Response Services (MRS), and design/construction contract management. We also target areas that we believe are attractive for building professional development for our staff. With enhanced capabilities we form effective and efficient teams that deliver on successful projects, such as Military Family Housing design (Title I) and construction phase services (Title II). Evidence of our improved value in the marketplace includes OTIE's AE services in Asia, and engineering studies and assessments for improvements in energy efficiency, and facility upgrades.

Specifically, the following elements drive 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, but our goal remains prime contracts instead of team-sub positions.

2) Leveraging of our services. OTIE has diverse services to offer to a growing customer base. We leverage OTIE capabilities and remain vigilant for 8(a) set-asides for OTIE. 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 such as state and municipal government.

3) Expanding our international footprint. OTIE is one of AFCEC's select, "go-to" AE firms for Title I and Title II services. Our forward operating Guam presence has strengthened OTIE's position in Asia/Pacific, and based on superior performance in theater, PACAF has contacted OTIE to ensure that we are configured and ready to propose for an upcoming Environmental Services Contract.

4) INVESTING IN OUR PEOPLE. We are committed to building on our employee's accomplishments while expanding our reach through new hires. Continued profitable growth is projected to occur through our carefully executed hiring strategies. OTIE attracts and hires staff that enhance our relationship-building and improve our competitive position in the marketplace.

5) Geographic and client expansion through acquisition. We will direct an active acquisition strategy focused on expanding our ability to offer our technical services in new geographic areas and with new clients (e.g., NAVFAC and USACE) through the acquisition of complementary businesses. While we continue to invest in our people, we must continue to pursue strategically and financially sound acquisitions. Being disciplined in valuing and structuring the transactions, OTIE avoids acquisitions merely for the sake of revenue.

Overall, OTIE's strength in the market is built on relationships with key customers, and our ability to discover new opportunities early in the acquisition cycle and respond with discipline and direction. 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). Each of these business concerns is treated in a category of SBs that may be awarded prime contracts without competition. OTIE also competes against other 8(a) firms for set-aside acquisitions, including SBs that are categorized as Woman-Owned, 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; Insight; Stell Environmental and others) plus 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, ERRG, HydroGeoLogic, Nobis, Terranear PMC, Tidewater and others). These SBs are now mature businesses developing past performance and earning customers that keep them "entrenched" in specific situations.



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 that acts like a large business.

Regarding task order proposals, OTIE has struggled against other Small Business competitors to win work under Multiple Award Task Order contracts (MATOC). 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 ideally suited to deliver AE Services in Asia/Pacific under the recently AFCEC AE13 DCS contract awarded to the Joint Venture of OTIE-RS&H. The Defense Department's force posture in Asia aligns with OTIE's planned growth: We are pre-positioned 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 diverse federal contracts, and our performance on 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 FY15 we witnessed the continued, government-wide preference to procure MATOCs as the default contract type and 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. Under the new Remedial Action Framework (RAF) a Design and Engineering Services (DES) contract is being acquired across three large "zones" and with up to seven firms per zone. OTIE will pursue a prime contract award for EPA Regions 8, 9 and 10; we will be in a sub-contractor role for EPA Regions 4, 5, 6 and 7; and we will forego pursuit in EPA Regions 1, 2 and 3. Future Small Business contracts under the RAF will include an Environmental Services and Operations (ESO) and Remediation Environmental Services (RES). For the ESO and RES pursuits OTIE will team with our SBA Mentor Protégé Program partner, CH2M.

As a 25+ year experienced 8(a) firm, OTIE counterbalances the impact of a bias toward MATOCs through an ID/IQ contract portfolio blending MATOC and single-award 8(a) contracts (where competition is not required for task order assignment). Going forward an acknowledged risk post-2017 is the loss of an 8(a) contracting option for OTIE, and a probable continuation of MATOC acquisitions.



Perhaps the most significant development in NAICS 562910 (Environmental Remediation) is the proposed Rule Change by SBA to increase the Small Business size standard (i.e. definition) 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. The timetable and outcome is uncertain, and SBA's next action is to publish a formal determination on the proposed rule change and possibly a phase-in deadline if a change is required.

To counteract the potential increase in OTIE's Small Business Size Standard, it becomes critical that the Oneida Tribe continue to support OESC's new 8(a) subsidiary companies. The invested capital can help our "sister" companies become stronger, and better positioned to build a performance history to compete for more direct awards. With strengthened financials each company becomes a competitive entity offering contracting options with our federal customers. Promoting diversified primary NAICS codes, the Tribe enjoys breadth of competitive, SB possibilities.

An emerging development in our industry has the potential to adversely affect many of the small business Munitions Response Services providers like OTIE. The DoD anticipates ratifying a costly certification protocol for Advanced Geophysical Classification of subsurface anomalies. Firms seeking certification would be required to dispatch their geophysics staff, equipment, and other support personnel to a test scenario/examination location in Maryland. We expect an unintended stratification in the munitions response market: Certified providers of Advanced Geophysical Classification may be afforded more contract opportunities, and collateral damage may result, including reduced MRS opportunities for Small Business concerns.

OTIE owns none of the equipment required to deliver Advanced Geophysical Classification, and we presently subcontract geophysics requirements on MRS task orders. Our plan is to remain actively engaged with DoD on this potential certification protocol and position ourselves to minimize any competitive harm to the company.

In spite of changes in our industry, our ability to adapt to the evolving needs of the marketplace has enabled us 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.



With less than two years before 8(a) graduation, a primary goal for OTIE focuses on growth through competitive contract wins and 8(a) direct awards. These 8(a) contracts afford growth opportunity via hiring top talent and expanding our geographic presence. In FY15 we continued the drive for this primary goal and we exceeded expectations by winning long-term 8(a) and unrestricted contracts. Key 8(a) and full-and-open contract wins include:

- AFCEC AE13DCS – AE Services at Worldwide USAF installations with up to 18 potential contracts in unrestricted competition
- Oneida Housing/Green Valley Elder Housing neighborhood - construction services competitive award by the Oneida Tribe
- USACE Tulsa District – environmental site investigations for PFCs in groundwater through an 8(a) direct award
- USACE Huntington District – 8(a) direct awards for Remedial Construction at Former Plum Brook Ordnance Works site
- US Army Environmental Center – Red River Army Depot, Long Term Monitoring 8(a) direct award contract
- US Fish & Wildlife Service – Remedial Action 8(a) direct award at the former Leavenworth shooting range in Chelan, WA

Impressive growth in OTIE’s engineering capabilities occurred in FY15, with new licensed professionals hired in engineering disciplines such as mechanical, electrical and structural. Under OTIE’s USAF contracts we are now performing engineering studies, evaluations and reports with engineering recommendations on water, wastewater and asset management services. OTIE brought in the following Task Order wins in engineering:

- US Air Force – Task Order A-E Services for Utility Meter Study and Design for Installation of Fiber Optic Cable, Yokota AB, Japan
- US Air Force - Task Order for Title II Construction Quality Assurance Evaluations on a two-year duration at Misawa AB, Japan
- US Air Force – Stormwater Modeling and Engineering Study at Eielson AFB, AK; Osan and Kunsan ABs, Korea; and Misawa AB, Japan.

A significant development for OTIE’s Environmental Services performance in FY15 is the task order award under our EPA Region 9 site-specific remedial action contract (RAC).

Going forward, OTIE will leverage opportunities and advantages of our SB status—we will pursue three avenues: identify and secure 8(a) direct awards; compete in the 8(a) set aside contract category from existing and new customers; and compete for SB awards and occasionally unrestricted competitions.

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 is crucial 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 or locations for expansion by OTIE include:

- Facility/infrastructure engineering and asset management
- Diversified environmental services
- Munitions Response Services (MRS)
- Expansion of USEPA services, contracts and Regions
- Growth in the Asia/Pacific region

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. *On the new AE13DCS contract, OTIE-RS&H JV has been awarded a multi-disciplined services supporting PACAF requirements.*

Diversified environmental services – OTIE holds prime contracts in USACE Districts that are serving the US Air Force's needs for base-wide environmental services. We are under contract for fence-to-fence (F2F) environmental services and we anticipate proposing on similar opportunities in FY16. We are positioning for a forthcoming USAF Pacific Air Forces (PACAF) Environmental Services Contract (ESC). *The Tulsa District chose OTIE for an 8(a) Direct Award for PFC Site Investigations.*

Munitions Response Services (MRS) – OTIE is 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. Contract spending by DoD has been slow, and existing contract capacities are virtually spent. This means new opportunity for ID/IQ contracts in FY16 and beyond. We see Advanced Classification (AC) Treatability Studies (TS) as a ‘coming of age’ Business Development opportunity as DoD hustles to leverage new technologies for detection and removal of ordnance. Approximately 500 sites need AC TS and OTIE is leveraging our AC

experience in combination with our 8(a) status to USACE, USAF and NAVFAC by targeting AC TS and other requirements. *OTIE won a contract for munitions response services addressing advanced classification treatability studies at Mt. Owen.*

Expansion of services/contracts with USEPA – OTIE was awarded a significant work assignment at the AMCO site in Northern California under the USEPA Region 9 8(a) site-specific RAC. In addition, we won the START in EPA Region 4, and we are positioned for new contracts in late 2016. *Long-term, high dollar contracts are targeted by OTIE, and in FY16 we will compete for Design and Engineering Services (DES) in several EPA Regions under the revised Remedial Action Framework.*

Growth in the Asia/Pacific region – Over the last ten years we have systematically expanded the service offerings and the level of self-performance by OTIE instead of team subcontractors on contracts that we have with the Air Force and USACE. *AFCEC awaits award of the second of two, worldwide AE Services contracts. OTIE was the only small business to win both contracts. Our newest project location with AFCEC is on Maui in Hawaii, where we anticipate a one-year follow-on project for Title II services*

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 gradually grown OTIE into 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-level staff to continue to grow the business. We are committed to sustaining internal efforts, such as investment in our people, such that “seller-doers” have the necessary training and tools to identify and win new work.

Our service lanes are sturdy and rich in potential. However, risks in business are a constant, and lasting companies endure risks with careful plotting for avoidance, and calculated mitigation once the risks are encountered. Acknowledged risks for OTIE include:

- We operate in highly competitive industries and contracting is often erratic and unpredictable; a reduction or delay in pending awards by government agencies could adversely affect us
- Our inability to win or renew government contracts could adversely affect us
- We are exposed to risks associated with operating internationally
- Our failure to properly manage projects may result in additional costs or claims
- An economic downturn may adversely affect our business
- In order to succeed we need to keep up with a variety of rapidly changing technologies
- We are highly dependent on key personnel
- Future acquisitions may not go as expected and may have unexpected costs and consequences
- The government may adopt new contract laws or regulations at any time.

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 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 growth strategy that is based on OTIE’s existing customers. This strategy involves creating High Impact Value Propositions for new customer sub-segments. What we sell is a service wrapped in value, and the foundational strategy relies on 1) customers viewing OTIE through alternative lenses, opening windows of opportunity for business performance across other OITE disciplines, and 2) 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 competitors. Under several MESA and POCA contracts, Sacramento District reached OTIE for Advanced Classification / Treatability Studies, essentially bridging to OTIE’s MRS service line.
- A customer-focused strategy that penetrates agencies with strong strategic links to OTIE’s core – creating adjacent business lanes. OTIE’s USAF customers are relying on us for delivering AE requirements to support their

space launch missions, with economic and environmental benefits. In the remaining years on the contract, we will emphasize and activate a clear link to OESC companies, pre-positioning us for follow-on work under the Range AE Inspection Services (RAEIS) program and 8(a) competition.

- Customer and contract-focused strategies are key for new ID/IQ contracts. Despite having won an abundance of prime 8(a) contracts, two challenges face us: 1) we have suffered losses on competitive task order proposals awarded under prime contract tools, losing on both cost and technical approach; and 2) backfilling 8(a) contracts so that we continue to be 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. Mindful of where we can improve, we mitigate potential performance or business risks, and this behavior begins at the proposal and Work Plan phases on all projects.

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 an expanding SB enterprise, OTIE successfully strengthens our market position based on our systematic business development and responsive value-added proposals. We generate revenue and profit after successfully winning work under our hard-fought proposals. 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.

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

Despite slow economic growth and the budget challenges facing our government clients, we are encouraged by trends in the other key markets that make up our balanced business. Our backlog has grown and our utilization is very high — an indicator that being diversified as a company serves to safeguarded The Oneida Tribe’s investment.

We have successfully groomed long-term business relationships with key DoD agencies for services delivered in the Continental US and around the world, and we are poised to benefit from an anticipated recovery and continued “rebalancing” to the Asia/Pacific theater. With a solidified agreement by the US Congress on federal budget initiatives, 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 FY16. 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

Maintaining quality service to existing clients is a top priority for OTIE. Common business vernacular repeats the mantra that our best business development is with the customers we already serve. 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 continued to reinforce key growth areas for DoD customers. Examples include: Munitions Response Services and traditional engineering services; and 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. Real property 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 geophysicists. 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 tactical value.

“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. In FY15 we merged the skills offered to one customer into new client groups and geographic areas, including the housing neighborhood design project for the Oneida Tribe. We featured OTIE's multi-year performance with design and construction quality assurance for DoD, where we have been prime on over 2,000 Military Family Housing unit designs or construction QA. In the two- to five-year term we will follow and build upon this initial success.

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.

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.

During FY15 OTIE will collaborate with a Joint Venture partner, RS&H to chase AE projects in geographic areas like Europe where OTIE has only limited work experience. We will also market to NASA, USF&WS, and Army Environmental Center customers to identify opportunities for additional penetration and competitive traction.

In geographic regions like the US Southeast, OTIE is better positioned to find business growth by hiring key personnel.

These and other new customers and locations present outstanding opportunities for service growth and diversification. In FY16 OTIE will continue the drive to target customers and new markets for additional projects.

Long-term prospects

In spite of considerable budget constraints in FY14 and FY15, OTIE envisions steady growth with our DoD and USEPA customers over the long term. 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.

Continued reliance on low-price awards is a known risk, and we continue to adjust OTIE's pricing structure to ensure that we remain competitive across all business segments, while remaining conscious of the need to deliver profitable performance. Similarly, we are concentrating our marketing efforts on maximizing our return on investment through expanding support for existing customers, developing tasks under existing contracts, and collaborating with firms that need either SB participation or our specialized expertise.



We believe that the five year period from 2016 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. As a small business of substantial size, OTIE differentiates ourselves from the emerging 8(a) firms that lack the infrastructure, experience, and resources 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.)

Growth in FY15 was primarily organic or internal for OTIE. Organic growth presents sales and BD potential only if we hire top-caliber employees with connections, knowledge and experience in the market.

In FY16 OTIE will add staff to meet the increased workload under contracts such as the AFCEC AE13ES and AE13DCS contracts. We have already identified new hires to support Title II contract performance in Japan. Such 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. Having one highly sought-after contract in FY15, 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 311 Employees
 89 Engineers
 72 Scientists
 18 Construction Professionals
 27 Technicians
 8 Skilled Trades
 46 Administrative
 4 Land Surveyors
 7 Marketing
 40 MMRP/UXO Specialists

Customers

77% 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
 10% State and Municipal – WI Department of Transportation, California National Guard, Ventura County, City of San Marcos, Division of State Facilities
 8% 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. On August 24, the court granted the plaintiff's motion for a preliminary injunction. The court found in favor of the plaintiff on nearly every issue, but did not address any of the claims against OTIE. It is expected that the project will not move forward for some time, if at all. OTIE's next step is to decide whether to file a motion to dismiss.