

Oneida Business Committee Agenda Request

EXCERPT FROM DECEMBER 14, 2016: Motion Jennifer Webster to adjourn at 11:59 a.m.; and to defer the remaining agenda items to the December 28, 2016, regular Business Committee meeting, with item "VIII.A. Review concern # 2016-CC-21 regarding Tsyunhehkwa operations" to be addressed first on that agenda, seconded by Melinda J. Danforth. Motion carried unanimously.

1. Meeting Date Requested: ~~12~~ / ~~14~~ / ~~16~~

2. General Information:

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

--

Agenda Header: Reports

Reports

☐ 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: Tehassi Hill, Council Member

Tehassi Hill, Council Member

Primary Requestor: Jeff House, OTIE Board Member

Your Name, Title / Dept. or Tribal Member

Additional Requestor:

Name, Title / Dept.

Additional Requestor:

Name, Title / Dept.

Oneida Total Integrated Enterprises

4th Quarter Report 2016 November 29, 2016

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 01-20161129



Narrative Report

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

Five 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. OTIE provides:

- Environmental services
- Remediation
- Construction and demolition
- Engineering design and studies
- Munitions response services

We deliver these diversified services to government agencies, as well as commercial clients in the United States and across the world. OTIE has staff worldwide, continuing an upward trend of growth measured by staff count while some firms in our space have shrunk due to weaker financial performance.

Our business posture is configured to consistently provide solutions that offer our customers cost-effective mission support while adapting to evolving procurement strategies and budgetary pressures. Core service growth has established OTIE as vastly more diversified than ever before to win contracts that require multi-dimensional capabilities.

As a service-based company, OTIE revenue is primarily derived through the labor-based professional services, plus construction projects that can potentially return higher margins. On both pro-services and construction projects, we forego pursuit on opportunities with capital-intensive requirements and the accompanying buildup of depreciating assets. Instead, our growth is achieved by: retaining clients and attracting new ones; providing quality and responsive value-oriented project management at competitive rates; and retaining high-performing, dedicated employees.

Market overview

Markets continue to change and our business is evolving to address these changes. Environmental services and Munitions Response Services (MRS) continue to see declining potential due to market saturation and bundling of sites/service delivery requirements. OTIE succeeds by focusing our efforts on core and emerging sectors, well-funded service types, and reliance on partnerships to deliver high-dollar projects.

Regarding infrastructure engineering services, years of deferred maintenance by customers has created appreciable opportunity for OTIE serving federal agency customers, whose budgets have undergone belt-tightening and a corresponding requirement to "do more with less." Along with our competitors, OTIE strives to



capture the high labor projects that government spending on infrastructure improvements demands.

Broader economic recovery and industry confidence has created renewed investment through construction, and this creates value and opportunity in construction and demolition, driven by the energy/efficiency requirements and technology updating. While the adjectives “slow and steady” remain prominent, headwinds are dropping to help stimulate recovery. Construction and construction management (including Title II) services represent a significant portion of OTIE’s revenue potential over the next five years.

As reported in prior Annual 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 which reinforce our market leadership as a small business competitor.

Operational tactics in the marketplace

OTIE directs our primary business pursuits from a stable customer base concentrated in federal, State and municipal government entities. We progressively develop and position for federal opportunities and target large program offerings at state, municipal and tribal levels.

As a technical consultancy, we provide studies, design and engineering together with project management skills for a growing roster of clients. Added resilience occurs through prospecting for projects in other regions/with other tribes, and in adjacent technical services. Our tribal business, aerospace industry (commercial), and electric utility company contracts are exceptions to OTIE’s heavy reliance on government contracts, 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

Our strategy focuses on maintaining our top-tier position with select federal agency customers; realizing the opportunities arising from infrastructure investment; and from the budgetary spend in environmental programs. OTIE’s transportation, tribal and munitions response capabilities provide added diversity within our core services.

Success implementing OTIE’s preference for long-term contracts is demonstrated in our win at Thornberry Golf Course, where we enjoy residual opportunity over and above the initial project that was awarded. Similarly our operational tactics with our WisDOT customer produced a win for IH-39 Rock River Bridges and STH 59 Interchange Reconstruction, providing lasting value on a high-visibility project.



Our operational excellence continues to improve the underlying processes of the business, ensuring increased time to focus on our clients' needs and project delivery.

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 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.

Looking at the 8(a) market, OTIE is clearly 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 small business with infrastructure that rivals many large businesses. We believe that our present size and diversified service offerings - relative to the smaller, niche companies - are advantageous to OTIE.

The company's position in the marketplace remains healthful and configured for future success. To sustain and expand our place within the market, OTIE budgets and expends significant funds in Bid & Proposal (B&P), marketing, advertising and conference participation. We limit expenditures on trade shows and conferences to events wherein OTIE holds a present market position and potentials growth can be directly tied to attendance.

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. With the hard work and support of a diverse and talented workforce around the world, we have confidence in our strong position within the marketplace, and that we can make a difference to the world we live in. OTIE remains appropriately configured for the year ahead despite continued uncertainties in some of our markets.

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

Improving our value and position in the marketplace directly corresponds to delivering profitable growth for the Oneida Nation. OTIE strategically identifies 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. For instance, our Atlanta office has focused heretofore on EPA START program support, but recently crafted a winning strategy for a groundwater monitoring and optimization project at Air Force Plant 6 in Georgia. OTIE's EPA-experienced staff have diversified their customer base and built new credentials for future similar pursuits.

More 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. As OESC integrates, we remain vigilant for 8(a) set-asides for OTIE, MS2, and SRS. The combination of our multiple skill sets and broad service offerings allows us to work efficiently in a crowded market, 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 the Oneida Nation. Our strategy for leveraging all three companies is intentional and focused; the methodical integration of OESC companies will generate opportunity and sustained value.

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 presence in Guam has strengthened OTIE's position in Asia/Pacific. Based on superior OCONUS performance the AFCEC awarded the OTIE-RS&H JV a Task Order in Qatar for AE Services at Al Udeid Air Base.

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 who improves our resource depth and 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 through the acquisition of complementary businesses. While we continue to invest in our people, we must continue to methodically pursue potential 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.

OTIE is optimistic that federal funding will remain durable. Our long term ID/IQ contracts should provide outstanding pipeline and backlog generation. Our simplified organizational structure will deliver improved efficiency and, coupled with volume growth, will support margin improvement.

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

As presently classified, OTIE is an SBA-approved 8(a) SDB and our competitors include: Alaskan Native Corporations (ANCs); Native American, tribally-owned small businesses; and Native Hawaiian Organizations (NHOs). Each of these business concerns is treated in a category of small businesses that may be awarded prime contracts without competition. OTIE also competes against other 8(a) firms for set-aside acquisitions, including small businesses that are categorized as Woman-Owned, HUBZone, Service Disabled Veteran Owned small business, and others.

Typical competitors for OTIE include:

- Small Business firms with fewer than 750 employees in NAICS 562910 (e.g. Baywest, EA, Conti, Versar, Severson and others) plus regional transportation engineering firms in Wisconsin.
- Current 8(a) small businesses (Ahtna, Bristol, Prudent Technologies, CIRI, companies like Northwind, and others).
- 8(a) "graduates" (e.g., Bhate, CAPE, ERRG, HGL, Nobis, Tidewater, and others). These small businesses are now mature businesses developing past performance and earning customers that keep them "entrenched" in specific situations.

In April 2017 OTIE will be an 8(a) graduate and Small Business under the size standards for NAICS 562910. We will no longer receive 8(a) direct award contracts, which has been a mainstay for our business growth and diversification. However, OTIE is already viewed by other small businesses 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. This reputation and competitive edge provides substantial confidence for OTIE's long-term success as an 8(a) graduate.



In the Eastern region on task order proposals, OTIE has struggled against other Small Business competitors to win work under Multiple Award Task Order Contracts (MATOC). On balance we fair better under Best Value procurements and tend to lose out on opportunities awarded based on Low-Price, Technically Acceptable evaluations. We will continue to focus on improved processes to win competitive task orders on all of OTIE's MATOC tools.

One of our best prospects for market expansion remains in the PFCs arena, where OTIE has a significant advantage having entered early in this emerging and high-profile business area. Several DoD agencies such as NASA and NAVFAC are targets for customer diversification in PFC site investigation.

OTIE remains well positioned for continued DoD work overseas, especially in Asia/Pacific. The Defense Department's force posture in Asia aligns with OTIE's planned growth: We are pre-positioned for profitable contract performance in Japan, Guam and potentially Australia, where the DoD focus has pivoted, and we are reaping the rewards of the long-term vision and investments already made.

OTIE has garnered nationwide (and international) attention as a vigorous competitor. We have fended off competitors for AE Services in the Pacific like Jacobs and CH2M. We hold a wide variety of diverse federal contracts, and our superior performance on these contracts makes OTIE very hard to out-compete.

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**

A regulatory change by SBA in 2016 increased the small business size standard in our primary NAICS code (562910) from 500 employees to 750 employees, a 50% increase. Within small business circles, OTIE remains a sturdy, medium-sized competitor, but this regulatory change welcomed in a few larger, robust competitors like Conti, Versar and Parametrix. 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.

Additionally, SBA adjusted the long-standing Mentor-Protégé Program (MPP) regulations to permit a small business of any category (Woman Owned small business, Veteran Owned small business, HUB Zone, etc.) to establish an MPP with a large business. The impact of this change is that the approved MPP firms may submit a Joint Venture bid on a federal acquisition and compete against other joint or individual small businesses. Also, the agency has accelerated the review/approval process for MPP application, which is a change from the ordinarily long waiting period for small business and large business partners' applications like OTIE faced with our partner CH2M.

To counteract the increased competitive landscape, further fortification of the Oneida Nation's invested capital can help our "sister" companies become stronger, and better



positioned to build a performance history to compete for more 8(a) direct awards. OTIE's strength has assisted Sustainment Restoration Services (SRS) to win an 8(a) direct award from the US Navy. With strengthened financials and a growing past performance history, each of the Onieda Nation's companies becomes more competitive and offers the ease of contracting options that our federal customers desperately need.

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. Our diversified portfolio steadies OTIE against market fluctuations and regulatory changes, as does the fact that a number of our most important markets remain well funded.

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. Coupled with time-tested partnerships in industry, we form teams that are among the most formidable, value-adding propositions available to our customers.

- 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 FY16 we pursued new opportunities, and we exceeded expectations by winning impressive 8(a) and unrestricted contracts, such as:

- AFCEC AE13ES – for AE Services at Worldwide USAF installations
- General Services Administration (GSA) – Multiple Award Blanket Purchase Agreement (BPA) for Environmental Services
- USACE Tulsa District – environmental site investigations for Perfluorinated Compounds (PFCs) in groundwater through an 8(a) direct award and working in five US states
- USACE Huntington District – two 8(a) direct awards for Remedial Construction at Former Plum Brook Ordnance Works site
- NAVFAC Southwest – contract/task order for Fuel Farm Underground Storage Tank RI/FS at Miramar NAS, CA



- USACE Los Angeles District – concrete crushing contract/task order win for Edwards AFB, CA

Expansion of technical resource depth

Our design and engineering business has performed well during the year with strong volumes and high productivity, with new licensed professionals hired in disciplines such as mechanical, electrical and structural engineering. Under OTIE's USAF contracts we are now performing engineering studies, evaluations and reports with engineering recommendations on water, wastewater and asset management services.

Winning the AFCEC AE13DCS contract was a crucial first-step to retaining our position and relationship with our Air Force customers; we are expanding our resource depth and maximizing opportunity for growth and development under this contract. A healthy pipeline of AE services work remains throughout the 4-year ordering period and 7-year performance period together with our JV partner and supporting our US Air Force customer.

Geographic expansion

OTIE has embraced the challenges of expanding into new geographies by winning work in two remote/austere locations as follows:

- Under our Range AE Inspection Services (RAIES) contract with the US Air Force's 45th Space Wing, OTIE won a design for runway improvements on Ascension Island. The runway is located in very remote equatorial waters of the South Atlantic Ocean, around 1,000 miles from the coast of Africa 1,400 miles from the coast of Brazil, which is roughly midway between the horn of South America and Africa. The long term benefit of OTIE's work is direct, prime contractor experience on DoD runway and airfield design and improvement services, and in a very remote region.

Under the US Air Force's Design and Construction Services (DCS) contract with JV partner RS&H, OTIE will deliver Title I Design and Title II Construction Management services for twelve discrete projects at Al Udeid Air Base in Qatar. Al Udeid AB houses foreign coalition personnel and assets and is headquarters of United States Central Command in the Middle East. OTIE will feature this work experience to broaden our roster of DoD customers and experience working in hostile locations.

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 small business 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 risks 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, plus the Southeast US

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. We are delivering engineering projects across the mainland US plus Hawaii and Alaska and at DoD installations in Qatar, 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.

Diversified environmental services – Under two prime contracts, OTIE is serving the US Air Force's needs for site investigation of the emerging contaminant, PFCs. We anticipate additional opportunities with USACE Districts, potentially including an 8(a) direct award in FY17.

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. But contract spending by DoD has been slow, and select opportunities have been bundled as consolidated contracts. This affects new opportunities for ID/IQ contracts in FY17 and beyond. Slowly building past performance, OTIE remains committed to delivering MRS services, and potentially combining MRS with our other traditional engineering skill sets.

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 to the work we provide under the prime START in EPA Region 4, and we have submitted on three new EPA contracts that will be awarded in late 2017 under the EPA's revised Remedial Action Framework.

Growth in the Asia/Pacific region – Projects performed by OTIE in Asia include Air Force and USACE contracts. Over the last ten years we have systematically expanded the service offerings and the level of self-performance by OTIE instead of team subs. With offices in Hawaii and Guam, OTIE is pre-positioned to win projects to support the DoD's rebalancing and force posture within the Pacific.



Growth in the Southeast US – OTIE has a long-standing business operations in Atlanta, GA, and Oak Ridge, TN. Boosting this sustained presence is our more recent success in the Space Coast region of Florida. We have secured 8(a) contracts with USACE Savannah District, and we have two additional competitive proposals submitted to the Savannah District. Significant opportunity exists for further growth and diversification in this region.

- 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

Markets have changed and our business continues to evolve in to order uphold our value and competitive position. With 8(a) graduation approaching, three primary categories or “pillars” capture OTIE’s strategic focus over the next five years. All of the objectives and goals – *internal and external* – that we identify flow up to support one (or more) of the following three overarching pillars of our strategy:

Pillar	Description
Operational excellence	Objectives emphasize optimizing financial delivery on all our projects. Strategies and tactics to improve: corporate infrastructure critical to supporting operations; business development; quality and safety integration; and HR services improvements.
Portfolio optimization	To ensure configuration for future success, we create plans for each business in our portfolio, continuing to focus on smarter growth and higher margin activities. We establish areas of particular focus for investment, and monitor, measure and adapt over time.
Subsidiary and regional improvement	Our regions, Business Units and subsidiary companies have attractive growth prospects. Business maturation is a gradual, stepwise process that requires proactive strategies to becoming fully-fledged.

Key elements for success include:

Establishing and monitoring Key Performance Indicators (KPI) – Our KPIs measure past performance and also provide information and context to anticipate future events and, in conjunction with our detailed knowledge and experience in the markets in which we operate, allow us to act early and manage the business going forward. We track safety, staff turnover, profitability, efficiency, backlog and resource capacity.

Plotting and following strategies for service diversification – Within our project and program management functions, we identify actual or potential performance gaps, and we use these data to inform and advise how to re-shape the business, adapting to a changing customer base, contract type, or key skill set. We recognize and re-configure based on identified needs to delivery strategic growth.

Cross-selling OTIE services – Between OTIE regions, great diversity of project capabilities exists. Our challenge is to leverage the diversity that we enjoy and cross sell our services in other geographic areas.



Opportunity identification for subsidiary exploitation – If contract access is a concern for any customer, OTIE identifies and promotes our subsidiary company capabilities, either for self-performance or in partnership with another firm(s). We treat this as a key enterprise-wide goal for transferring 8(a) direct award opportunities to subsidiaries as a growth model.

Understanding and balancing risks between organic expansion and acquisition – As we seek further growth, we examine tactics to harness our speed to market. While organic growth may be safer (low risk) the drawbacks could come from lost opportunity. High risk acquisitions can more quickly configure us for service diversification and penetration into market, but integration and other explicit and embedded risks are examined and determined. Key to our success will be orderly and methodical procedures for exploring and proffering arrangements for acquisitions.

Increasing our geographic footprint and capabilities – In an expanding global marketplace, OTIE evaluates our strategies for expansion. For example, we are pre-positioned in Asia/Pacific with offices and past performance that eases the justification and approval process for source selection on several OTIE contracts.

Recalibrating corporate infrastructure to optimize operational efficiencies

Understanding that BD feeds Operations, and our Contracts, Finance & Accounting are in a support posture to the operations group, OTIE understands and adapts our organizational structure for natural market-driven developments that trigger internal change. We understand these relationships, and we reorganize when necessary, and based on new hires, new technologies and raw growth of the enterprise.

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, 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 emerging contaminants like PFCs.

We have grown OTIE into 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 sustain and support our customers' mission. 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.



Risk in the marketplace

Our service lanes are sturdy, lucrative and rich in potential, and we anticipate much prosperity in the years to come. 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; cancellations or delays in pending awards by government agencies could adversely affect us
- Our inability to win or renew government contracts could adversely affect us
- We expose the company 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
- 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 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.

Business relations in the marketplace

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 small business enterprise, OTIE successfully strengthens our market position based on our systematic business development processes and our 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.

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 education, 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) sponsorship of math and technology activities for Oneida middle school students; 4) OTIE is exploring the opportunity to provide internship(s) for Oneida students.

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 has explored and identified available sponsorship options with Oneida Veterans groups.

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

While a return to more tepid economic growth fills OTIE's sail, the uncertain status of the hotly-debated National Defense Authorization Act (NDAA) presents some navigational challenges. Still, we are buoyed by our balanced and diversified business, plus our consistent delivery on revenue and profit to the Oneida Nation. In OTIE's backlog has grown and our utilization is very high — all indicators that being diversified safeguards the 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. 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 FY17. 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. Our best business development comes through the customers we already serve, and this fundamental tenet of business operations will become gospel in all OESC companies. Outstanding performance allows our good reputation to flourish and paves the way for follow-on contracts, task orders and "cross-selling" potential.

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 Nation, DoD and EPA.

In FY16 we continued to reinforce key growth areas for DoD customers. Examples include: Munitions Response Services and environmental services; and strategic actions by the company that provide legitimate growth and align with our customers' spending trajectory.

- **Munitions Response Services (MRS)** – Our acquisition of OER equipped OTIE with broader capabilities in the MRS market, and with support from specialty providers, such as geophysics we are making steady progress growing our presence in this market. We will actively pursue customers that seek combined services as we leverage our capabilities into the changing MMRP environment.
- **Environmental Services** – Over the years, OTIE has managed more than 40 environmental ID/IQ contracts, ranging in value, each with as many as 30 or more concurrent TOs. For example, on our AFCEC 4PAE08 contract for the USAF, we managed 29 projects, including 10 concurrent, across four CONUS time zones and OCONUS. We have performed over 400 TOs for the USAF. OTIE's performance history with the USAF, coupled with our technical experience and capabilities with groundwater monitoring, created the opportunity that led to a direct award for site investigations at USAF installations to characterize that nature and extent of PFCs in groundwater. Looking forward, this direct experience has OTIE uniquely positioned as a small business competitor in a growing field.



Customers will continue to rely on OTIE as integral to their success. We deliver 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 FY16 we merged the skills we offer into new client groups and geographic areas. One such example is the 8(a) direct award that OTIE received from the US Navy’s Expeditionary Warfare Center (EXWC), with justification and approval relying on our exemplary performance with EXWC’s “parent” division, NAVFAC Southwest. In the two- to five-year term we will follow and build upon this success, competing for multi-year Navy contracts nationwide.

OTIE’s two- to five-year strategy originates from our focus 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. For example, we met with leadership at Al Udeid AB in Qatar to replicate OTIE’s success in PACAF for similar AE service offerings in the USAF Central Command. Exceptional opportunity exists to follow this model at other locations

New/Strategic Services, Clients and Geographic Locations

OTIE expanded to meet customer requirements by adding engineering disciplines in FY16 including electrical and mechanical engineering. We see these key areas as having growth potential in the near future with current and future clients.

An exciting growth opportunity has come about in Cocoa Beach, FL. OTIE will lead a design-build runway improvement in the remote Ascension Island. We are optimistic about building upon this experience to capture other AE services addressing airfields/runways.

In geographic regions like the US Southeast, OTIE is better positioned to find business growth in Atlanta by winning the Air Force Plant 6 groundwater monitoring and operations contract. In addition, we are teamed with some top-tier partners in this key geographic area for OTIE’s growth.

These and other new customers and locations present outstanding opportunities for service growth and diversification. In FY17 OTIE will continue the drive to target customers and new markets for additional projects.

Long-term prospects

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. On one of our best contracts, the



US Air Force's AE13DCS contract, our Joint Venture is currently ranked third by dollar volume of awarded task orders. This puts our performance ahead of some large engineering stalwarts, and this ranking could continue over the life of the contract.

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 small business participation or our specialized expertise.

We believe that the five year period up to 2021 will be stable 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. In addition, our early and effective penetration into the PFCs contamination market will allow OTIE to hold its position, capture more work, and expand our resource depth.

Graduation from 8(a) status presents potential risk for OTIE. We mitigate the graduation risk by virtue of having previously (and successfully) graduated the program when doing business as T N & Associates, Inc. We know from experience not to expect "graduation gifts" and that the best success strategy is to be prepared and to be experienced competing for work.

- 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.)**

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.

Since inception of the company, OTIE's growth has been primarily organic or internally driven. Organic growth presents sales and BD potential only if we hire top-caliber employees with connections, knowledge and experience in the market.

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. If consummated, new acquisitions could be significant to OTIE's growth.



Having expanded the volume of work performed for DoD customers outside the continental US, we see outstanding potential for market growth internationally and in the Continental US. We have established a solid presence in Asia/Pacific with offices in Hawaii and Guam, plus project offices in Japan. In the CONUS we are beginning to capture work with the Illinois Department of Transportation, and we view this neighboring state as ideal for prospecting based on our WisDOT history and performance. Lastly, our prospects for further growth in the Southeast US are attractive and promising for OTIE.

- 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 333 Employees

92 Engineers

81 Scientists

17 Construction Professionals

30 Technicians

6 Skilled Trades

44 Administrative

4 Land Surveyors

7 Marketing

40 MMRP/UXO Specialists

12 Military Base Security 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

6% Commercial –WE Energies, Raytheon

8% State and Municipal – WI Department of Transportation, California National Guard, Ventura County, City of San Marcos, Division of State Facilities

9% 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 2015, 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, 2015 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. OTIE's next step is to decide whether to file a motion to dismiss. USACE has issued a notification of termination for convenience of the contract.