

Oneida Business Committee Meeting Agenda Request Form

Deadlines

Instructions

1. Meeting Date Requested: 09 / 10 / 14 **ITEM DEFERRED TO THE 9/24/2014 BC MTG**

2. Nature of request

Session: ☒ Open ☐ Executive - justification required. See instructions for the applicable laws that define what is considered "executive" information, then choose from the list below:

Agenda Header (choose one): BCC Report

Agenda item title (see instructions):

Oneida ESC Group Quarterly Report

Action requested (choose one)

☐ Information only

☒ Action - please describe:

Approval of corporate quarterly report

3. Justification

Why BC action is required (see instructions):

Corporate reporting requirement

4. Supporting Materials

Instructions

☐ Memo of explanation with required information (see instructions)

☒ Report ☐ Resolution ☐ Contract (check the box below if signature required)

☐ Other - please list (**Note:** multi-media presentations due to Tribal Clerk 2 days prior to meeting)

1.

3.

2.

4.

☐ Business Committee signature required

5. Submission Authorization

Authorized sponsor (choose one): Tina Danforth, Tribal ~~Treasurer~~ Chairwoman

Requestor (if different from above): Jacquelyn Zalim, OESC Board Chair

Name, Title / Dept. or Tribal Member

Additional signature (as needed):

Name, Title / Dept.

Additional signature (as needed):

Name, Title / Dept.

A copy of this document can be saved in a pdf format. Please e:mail this form and all supporting materials to BC_Agenda_Requests@oneidanation.org.

Save and e:mail

ONEIDA ESC GROUP, LLC

Quarterly Report 2014

August 11, 2014

Oneida ESC Group, LLC (OESC), was formed in 2012 as the catalyst for continued growth for Oneida owned firms doing business in Construction NAICS codes for federal government contracting. Oneida Total Integrated Enterprises (OTIE) has exceeded the \$33.5M limit on certain NAICS codes and is unable to bid and obtain contracts that fall within these NAICS codes as a prime contractor under the small business or 8(a) business categories in the federal procurement process. OESC and its subsidiaries are positioned to bid and pursue small business or 8(a) contracts where OTIE has exceeded size standards.

OESC and its subsidiaries are supported by OTIE with general management and administrative functions, including accounting and contracting management, human resource management, IT support, overall management, and marketing, bid and proposal. Below is a summary of OESC and its subsidiary's activities.

Narrative Report

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

OESC was created to serve as a holding company for subsidiary limited liability companies with an 8(a) status. This type of holding company structure is modeled after the Alaskan Native Corporations (ANC) and other Native American Tribes that have created similar entity structures. This holding company structure allows ANCs and Native American Tribes to perpetually establish different 8(a) companies with different primary NAICS codes.

OESC currently has two subsidiaries, Mission Support Services (MS2) and Sustainment & Restoration Services (SRS). MS2 obtained its 8(a) status in 2013. SRS received its 8(a) certification in 2014. Both subsidiary companies employ a part time manager and minimal construction staff based on the project needs locally. Neither company offers benefits at this time.

As part of the overall strategic plan for continued growth, OTIE will move under OESC as a third subsidiary upon OTIE's graduation from the 8(a) program in 2017.

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

Both subsidiary companies are focused on construction business. MS2 will compete against 8(a) firms under NAICS code 236220 as its primary code. 8(a) firms are allowed to have secondary codes, which enable MS2 to compete under various additional NAICS codes. SRS will compete against other 8(a) firms under NAICS code 237110 as its primary code. SRS will also have secondary codes to enable it to compete under various additional NAICS codes.

Only firms with less than \$33.5M on average over a 3 year period can compete as a prime contractor. Since OTIE can no longer compete as a prime contractor under the small business or 8(a) business category under those construction codes, OESC and its subsidiaries are strategically positioned to compete under those construction codes with OTIE support.

However, OTIE currently is focusing on developing MS2. OTIE does not have sufficient manpower to support SRS fully in the marketing and proposal efforts. OTIE will gradually nurture SRS on a long term basis.

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

The initial pursuits will take advantage of OTIE's existing networking capability and MS2's key personnel who have existing relationships with federal clients. These federal clients have various federal facilities nationwide.

OTIE has been supporting MS2 to recruit several employees including managers or construction staff that have proven past performance and existing working relationships with many federal clients. OTIE has led MS2 to their existing clients. Those clients have the construction work and usually will procure under the small or 8(a) category under the construction NAICS code. This advantage will help MS2 to develop their capability rather quickly.

Currently MS2 is working in California and Florida. Initial projects are expected to be sustainment, restoration, and modernization (SRM) projects for general facilities. Additional projects will be pursued in civil construction, utilities, energy management, and general facilities engineering requirements. More competencies will be added as opportunities arise.

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

OESC and its subsidiaries are start-up companies. It will be difficult for them to compete with established small businesses that are active in the industry market. To offset this disadvantage, OTIE will support and lead OESC and its subsidiaries to take advantage of existing relationships already built by MS2's key employees or from OTIE's networking. While competition will be very challenging for OESC and its subsidiaries, OTIE's support will help to overcome those challenges through the years. With OTIE support, OESC can reach a point where its subsidiaries can become more competitive and sustainable in the construction industry.

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

None.

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

Immediate opportunities exist in geographies where OTIE, MS2, or SRS key personnel have strong relationships for past performance, and where these personnel have partner relationships with geographic presence, reputation, and relationships with target clients. Downstream opportunities will emerge based on MS2 project performance and combined

efforts of OTIE and MS2's marketing and sales efforts. Based on existing personal relationships, immediate target clients include Vandenberg AFB, NAVFAC SW, NAVFAC SE, Kirtland AFB, NAS Pensacola, USACE Mobile, USACE Savannah, and USACE Tulsa.

MS2 has been supported by OTIE on many marketing and proposal efforts. MS2 has been led by OTIE to many government agencies, tried to open the marketing doors, winning more work so that MS2 can recruit more capable people to support each federal agency's mission and also increase MS2's technical capabilities to be competitive in the industry. The following is the assistance that OTIE has provided to MS2, such as;

OTIE has been assisting MS2 who has performed some projects as a subcontractor to OTIE, MS2's construction manager was recruited by MS2 from OTIE to lead this project so that MS2 has a performance record to impress the client at Vandenberg AFB. Currently MS2 has submitted four proposals pursuing four different projects. If two of the four proposals are successful, then MS2 will have enough work to sustain at Vandenberg AFB for the next year. MS2 was led by OTIE's senior manager to Naval Air Station Pensacola to convince OTIE's old client to use MS2 to accomplish the Navy's mission. MS2 was also led by another manager from OTIE to Joint Munitions Command (JMC) at Rock Island, Iowa and has been awarded a small project; hopefully there will be more to come. MS2 has another prospect at Kennedy Space Center (KSC) in Florida which was also led by OTIE's senior manager and hopefully there will be some remaining funding from the end of the fiscal year. OTIE's senior manager also led MS2 to a possible prospect at Ft. Sam Houston in San Antonio.

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

The primary strengths at the outset will be personnel-related. MS2 key personnel understand federal construction and construction-related professional services, and have strong knowledge of competitors, target clients, and strong business relationships in several geographies.

The primary risk includes lack of immediately available resources and bonding capacity, limited availability of cash on hand, and demonstrated past performance. These must be off-set or mitigated by client knowledge of key MS2 personnel, pursuit of realistic project opportunities, and timely support from the owners or parent company with respect to bonding requirements.

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

Same as (g) above.

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 start-up organization, OESC and its subsidiaries intend to grow organically through the methods identified above.

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

OESC ASSETS

Financial (On Balance Sheet)

Cash –Checking Account

Work In Process on Current Projects

Fixed Assets such as Vehicles, Furniture and Fixtures, and Miscellaneous Equipment

Other Assets such as Prepaid Expenses, Investment

Employees

OESC no employees

MS2-3 employees

SRS-1 employee

No Benefits

Customers

95% of Revenue from our Federal clients.

j. 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.

No current pending legal action.

Financial Report

Like most startup companies, much of the funds are used to procure and market work, set up contracts and a bonding program and set up payroll and accounting records. During the second quarter of fiscal year 2014, Oneida ESC consolidated financials show a loss of \$205,084.