



Oneida ESC Group, LLC

3rd Quarter Report – FY 2020

August 12, 2020

OESC Board of Managers:

John L. Breuninger, Chairman

Jacquelyn Zalim

Leslie Wheelock

Oneida ESC Group, LLC (OESC), was formed in 2012 as a holding company to house subsidiaries to do business with the federal government. OESC has five subsidiaries, Oneida Total Integrated Enterprises (OTIE), Mission Support Services (MS2), Sustainment and Restoration Services (SRS), Oneida Engineering Solutions (OES) and 1822 Land and Development Company of Oneida (1822).

OESC's subsidiaries are supported by OESC 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's subsidiary limited liability companies focus on contracts issued by the government agencies for engineering, science and construction work. OESC's revenue is derived from the subsidiaries that operate in the full and open market as well as the Small Business Administration Business Development Markets primarily as 8(a) and Small Business designated companies.

OESC and its subsidiaries are a highly technical organization providing research /investigation, design, engineering and project management. Oneida ESC Group operates in five core services:

- Environmental services – Assessment, investigation, design, testing and monitoring
- Remediation – Action Planning, project management, extraction of contaminated materials.
- Construction and demolition – Repair, service, abatement, renovation and new.
- Engineering Services – Design and project managements for sites and site design, structural, mechanical, plumbing, civil, structural, water / waste water systems and storm water management.
- Munitions response services – Investigation and remediation of munitions and ordinances.

Oneida Total Integrated Enterprises (OTIE) – Competes in the full and open marketplace as a small business (less than 750 employees). Core competencies include environmental services, environmental remediation and project management.

Mission Support Services (MS2) – 8a Graduation date is 3/15/2022. MS2 is focused on construction management contracts. Core competencies include construction management services, New and renovated structures, HVAC systems and controls Utility systems - water, sewer, gas, electrical, Electrical power generators, transformers, and distribution, Communication and security systems, Interior remodeling, upgrades focused on the federal market with supplemental markets includes commercial and tribal construction projects.

General Mechanical Corporation (GMC) is subsidiary company to MS2 and operates mainly as an HVAC Contractor and General Contractor in Daytona FL.

Sustainment & Restoration Services (SRS) – 8a Graduation date is 2/18/2023.

SRS core competencies include facility investigations, corrective measures design/implementation, remedial designs/remedial actions, including characterization, assessment, and cleanup, Wetlands assessment and wetlands restoration design, Brownfields – Phase I & II ESAs, Technical Enforcement Support Facility and asset inventory, evaluation, and assessment Engineering design for site development, utility systems, facilities Engineering design for wastewater treatment and sewerage systems, and specialized professional services manpower solutions.

Oneida Engineering Solutions (OES) – OES focuses on performing transportation engineering services for governmental agencies (Federal, State and Local). Work is federally funded and abides by the Brooks Act; requiring selection based on competency, qualifications and experience. OES has been certified as a Disadvantage Business Enterprise in the State of Wisconsin.

1822 Land and Development Company of Oneida (1822) – 1822 is a real estate holding company that owns, leases and sub-lease various real estate holdings in and around the Oneida Nation Reservation. The overall goal is to grow the portfolio that meets the needs of the Oneida Nation and the Northeastern WI.

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

OESC operates in a fiercely competitive and expanding market. An abundance of Architecture / Engineering / Construction (AEC) firms provide similar services offered by OESC. Competitive factors for our success include performance reputation, network, price, geographic location, and availability of technically skilled personnel (flexibility).

Three of the top five federal spending agencies awarding non-competitive contracts are OESC customers.

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

OESC’s subsidiaries are positioned to take advantage of existing relationships, contracts and networks OTIE established since 2008.

We continuously evaluate solutions to broaden and capture a larger share of the Federal and State markets. Each subsidiary operates based on primary NAICS codes with secondary NAIC codes that overlap with the sister companies.

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

Our competitors include: Small Businesses, Alaskan Native Corporations (ANCs); Native American Owned, tribally-owned small businesses; and Native Hawaiian Organizations (NHOs). Each of these businesses is in a category of small business that may be awarded

prime contracts without competition. Oneida ESC subsidiaries also compete against other 8(a) firms for set-aside acquisitions, including small businesses that are categorized as Woman-Owned, HUB Zone, Service Disabled Veteran Owned small business, and others. Finally, Oneida ESC competes in the full and open markets without restrictions.

Typical competitors for OTIE include Small Business firms with fewer than 750 employees in NAICS 562910. Another area of significant competition is the regional Transportation Engineering firms in Wisconsin for WI DOT work (OES).

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.

We continue to see proposal activity from our federal and state customers; however, the COVID pandemic has caused a lot of delays. Responses from customers to our comments/questions are taking longer and rarely are we able to contact customers in their office, which further slows down the process. Proposal deadlines are then delayed even further. Additionally, events, seminars and conferences, and travel in general, where we can meet one on one with existing and potential new customers have all been cancelled or converted to virtual meetings have limited our ability to engage and develop relationships. Despite the challenges we have grown our backlog for FY21 by delivering project and engaging customers via phone and video conferencing.

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

Goals for Oneida ESC Group

Growth at a reasonable rate is the primary business goal for OESC. Financial reward for OESC is when we align our investment strategies according to our client’s mission priorities.

Targets for OESC Subsidiaries:

Opportunities continue to exist in geographies where OTIE, MS2, SRS and OES have successful past performance; and where personnel involved in such projects have established strong relationships with teaming partners and clients. Opportunities continue to emerge based on combined efforts of OESC’s marketing and sales efforts. Target clients continue to include Department of Defense agencies (various bases – Navy, Air Force, and Army), Environmental Protection Agency, WI Department of Transportation, Milwaukee Metropolitan Sewer District and the Oneida Nation.

New target clients include extended services on existing bases, geographical growth on “new” bases where OESC has not performed work on in the past, municipalities geographically related to OESC offices and other Tribal Nations.

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

Key elements for success in the OESC model include:

- Meeting performance indicators, including safety, staff turnover, profitability, staff utilization, backlog and capacity.
- Adapting to a changing customer base, contract type, or key skill set. We recognize and reconfigure based on identified needs to delivery strategic growth.
- Identification of contract capacity and access is under regular review.
- Increasing our geographic footprint and capabilities.

Risk in the marketplace

- We operate in highly competitive industries
- Contracting is often erratic and unpredictable; cancellations or delays in pending awards by government agencies could adversely affect us
- International operations carries additional risk
- Loss of key personnel
- Adoption of new contract laws or regulations.

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

Our medium and long range prospects for sustainability are balanced by business diversification and consistent project management delivery.

We have successfully groomed long-term business relationships with key US Agencies for services delivered around the world. Contracting with the US government remains a reliable strategy in terms of payment, stability, and growth opportunity.

Medium-term prospects

OESC'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. OESC continues to focus on business development and talent acquisition to meet our growth metrics.

Long-term prospects

OESC envisions steady growth with our key customers over the long term. OESC is nimble and agile, allowing us to focus on governments funding flows.

Continued reliance on low-price awards is a staple in our business model and we continue to adjust the pricing structure to ensure that we remain competitive. We continue to concentrate 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.

- 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.)**

We have made a concerted effort on our fence-to-fence contracts which is environmental operations and compliance services. We also see growth in our traditional engineering services such as civil, mechanical, electrical, etc.

- 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.**

OESC ASSETS
<p><u>Financial (On Balance Sheet)</u> 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</p>
<p><u>Employees</u> OESC - 48 employees (includes 1822 employees) OTIE – 152 employees MS2 – 73 employees (includes GMC employees) SRS - 84 employees OES – 30 employees</p>
<p><u>Customers</u> 95% of Revenue from Federal clients.</p>

- 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.**

One of GMC’s subcontractors has threatened to file a mediation claim against GMC. GMC terminated the subcontractor’s subcontract for default. GMC has calculated that the total backcharge the sub owes to GMC due to the sub’s poor performance is \$26K, and is defensible. After retaining the backcharge amount, GMC owes the sub \$31K for work that was performed and accepted. The sub disagrees with the amount withheld for backcharges. After internal GMC discussion, GMC agreed to reduce backcharge to \$23K, but will not agree to any further reduction. The sub said they'll go to mediation. GMC's position is very strong, and stays at \$23K backcharges or go to mediation. In June, the sub asked GMC to resend its detailed response, and GMC did so. There has been no further response from the sub.