



Quarterly Newsletter

November 2006

"Providing world class services that exceed customer expectations while promoting opportunity for growth in a stable, challenging and rewarding environment."

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From the Desk of Bill Arterburn Chief Executive Officer

Bering Sea Eccotech has established contract activities far and wide across this great country, but it is little known that

we operate as well within our home community of St. Paul Island, way out there in the Bering Sea 250 miles off of Alaska's western coast. Many more Americans are aware of St. Paul Island these days as a result of its prominent role on the cable channel series "The Deadliest Catch," which chronicles the adventures of Bering Sea Crab fishermen. In fact, the golden years of the crab industry are long gone, with the current industry only a small percentage of its former size, and not much of a contributor to the island economy.

But the island's Aleut residents continue the struggle to survive on this remote island. BSE plays its role by seeking opportunities for local jobs and income producing activities. In this type of situation, the familiar phrase, "that's not in my job description," never works. Because the opportunities are typically far and few between, and when a federal agency or some businessman arrives on the island wanting something done, the answer is usually, "We can do that....when do we start!" Upon such honest and unbounded confidence, we have built BSE into a company that prides itself on diversified performance, and doesn't shy away from new activities and responsibilities. See the article in this quarter's newsletter recounting what BSE folks on St. Paul Island have been up to recently.

In Anchorage, where we have our administrative offices, some new things are happening as well. Our parent company, Tanadgusix Corporation, is seeking to organize the difficult administrative tasks of managing many diverse ventures, into a more streamlined operation. Rather than having each individual subsidiary develop its own processes, personnel, accounting and procedures, we are trying to find the administrative elements common to all, so that our new Shared Services Division can assume oversight of the details. In the end, we should be a meaner, leaner contracting machine for our customers.

That is not to say that there won't be an occasional new person on the other end of the email or phone line, or someone asking questions that you might not have heard before, or assumed that we already knew. For the most part none of

this should be in any way disruptive to BSE's normal operations. But, to the extent that there is noticeable change, your patience and tolerance is requested as we step on each others toes in an effort to provide better services.

All company operations are important to us, and the day in day out dedication of our employees never ceases to amaze me. Our R-3 teams have dispersed to some new localities for some new and old customers, and seem to be hitting on all cylinders to rid the nation's ranges of unwanted and unprocessed scrap and UXO waste. Along the way they have developed an amazing array of customized equipment and procedures that create quality solutions for the customer. Our Training Services Division has raised the efficiency of electronic range operations as well, and judging by utilization of the equipment, the P5CTS contract will continue to be just as successful, if not more so, than the P4RC contract that we just closed. In Hawaii, BSE's operations continue to see major growth as we have extended and expanded our industrial and environmental services to both power generation facilities and refineries on Oahu. That we continue to do so with a major focus on safety and security in operations, speaks volumes about the awareness and dedication of those whom we are blessed to have working for us.

As you sit with your families, loved ones and friends at the end of this month for your annual Thanksgiving dinners, I ask that you think about and really appreciate your co-workers, and reflect upon the fact that working together we can do things that we could never imagine ourselves doing by ourselves. BSE is a testament to the fact that teamwork makes large tasks achievable, and your participation on the BSE team is truly appreciated by the company and by me. Happy Thanksgiving and many blessings to the BSE team for the Holidays upcoming!

Bill Arterburn, CEO

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UXO Services Report

Dean Hughes, Chief Operations Officer

Bering Sea Eccotech was successful in winning a \$1.38M Task Order under our BSE/Parsons Joint

Venture. This is the fourth Task Order on a \$15M Indefinite Delivery, Indefinite Quantity (IDIQ) contract with the Naval Facilities Engineering Command, Atlantic also referred to as NAVFAC Atlantic. With a successful project it should lead to many more projects within the US Marine Corps Range Group. This task involves two specific areas within Camp Pendleton USMC Base California. The work involves the clearing of storage areas, processing of old targets and range residue that has been accumulating for 25 years. BSE will perform most of the tasks and Parsons will supply site quality control.

The BSE/Parsons Joint Venture was also successful in winning a \$2.01M task at the USMC Yodaville target range in Yuma AZ, three miles from the border of Mexico. This is the fifth Task Order on the \$15M IDIQ



Yodaville Urban Target Complex, Yuma AZ

contract with Parsons. Parsons will write the plans, supply engineering field support and project quality control. BSE will supply project management, UXO support, site management and equipment operators. The project involves repairing of various targets in this Urban Target Complex which include some four and six story target buildings made out of shipping containers. BSE/Parsons will repair 160 modules in the 179 building target area. BSE/Parsons will conduct a crane school prior to project start up to provide additional training and review safety protocol for the dangers involved with demolition and repair of the larger structures involved with this contract.



Example of a Yodaville Target Building

The BSE/Parsons Joint Venture is a combined effort with two companies that have different areas of expertise, giving the government a complete package while specializing in each area. BSE's Dan Skrobialowski is the Program Manager for the Joint Venture and his counterpart Steve Schlientz from Parsons will act as Assistant PM, both are located in Virginia close to the client. Task Order One gave BSE its first opportunity to assist the government with actual range clearance planning at Navy Dare. Task Order Two is still being negotiated but is mostly BSE tasking at Navy Dare, Task Order Three put Parsons in as the RAB manager for the Camp Pendleton RAB.

BSE/Parsons Joint Venture is expecting to load the full \$15M within three years which should keep the UXO crews very busy.



BSE Security Update

Debt, A Growing Security Concern for DoD

Rodney Rush, Security Manager

During the last quarter I briefly discussed the six major areas of our security awareness and education training program, the new Automated Continuous Evaluation System, and our reporting obligations for cleared employees. In this issue, I will still be discussing reporting obligations; however, I will concentrate in the area of "financial problems."

Serious financial difficulties must always be reported. These difficulties range from bankruptcy to failure to pay a creditor. As set forth by the standards of Executive Order 12968, your *financial behavior* is used as a tool to gauge your worthiness to hold a clearance. In this matter, the Department of Defense (DoD) uses the "whole person" judgment, which includes evaluation of a person's strengths as well as their weaknesses.

As of late, financial problems have become a growing security concern within Department of Defense, especially amongst the military.

The Associated Press reported:

"Data supplied to the AP by the Navy, Marines, and Air Force show that the number of clearances revoked for financial reasons rose every year between 2002 and 2005, climbing nine fold from 284 at the start of the period to 2,654 last year. Partial numbers from this year suggest the trend continues. More than 6,300 troops in the three branches lost their clearances during that four-year period."

The scary part is that the bulk of the military revoked security clearances are not reported because it involves troop strengths.

Do we have a problem with financial indebtedness within industry? This is unknown; however, I think I can safely say BSE leadership must take an active role in monitoring and keeping in touch with their employees.

Some Financial Considerations for BSE Leadership:

- Living or spending beyond one's apparent means. Unexplained or sudden large sums of cash. (Note: This is also covered as a counterintelligence indicator.)
- Calls at work from creditors.
- Denial of credit.
- Bounced or bad checks.
- Garnishments, repossessions, unfavorable judgments, or other indications of financial difficulty.
- Failure to make child or spousal support payments.
- Reckless or compulsive spending, extensive gambling losses, gambling debt.
- Bankruptcy.
- Improper handling of official finances or property, including repeated delinquent accountings for advances, unexplained cash.
- Shortages or loss of property, sloppy handling of cash funds, disregard for financial or property administration regulations.

¹ Watkins, Thomas, "Troops' Debt a Growing Security Concern," The Associated Press, October 19, 2006



Primary Training Range (PTR) Request for Proposal Released

BT Smith, Training Services Director

The PTR Request for Proposal (RFP) was finally released on 17th of October.

I say finally because the original release date was announced for November 2005, which slipped to December, then January 2006, February, April, and finally June before being released. This PTR contract provides the operation and maintenance of sites that provide basic to intermediate air-to-surface training. Typical PTRs contain target arrays, threat simulators, and weapon scoring systems. Each PTR supports the training requirements of a specific unit and are normally in close geographic proximity to their primary users and are approximately 5,000-100,000 acres. PTRs are of three basic types, Bombing and Gunnery Ranges (B&G), Electronic Combat Ranges (ECR) and Electronic Scoring Sites (ESS).

B&G Ranges include air-to-ground bombing and gunnery targets, both for live, inert and simulated weapons and the associated scoring equipment and remote emitters. ECRs are normally collocated with air-to-ground ranges and provide a simulated electronic threat environment for aircrew combat training. ECRs can vary in complexity and the level of training provided. ECRs are normally located either within range boundaries or off-range to provide training in Military Operating Areas (MOAs), Military Training Routes (MTRs) and Special Use Airspace (SUAs). ESSs provide a simulated electronic threat for aircrew combat training and may include no-drop weapon scoring. ESSs are normally under or near MTRs and only require a small land area for equipment location.

The final part of the PTR effort is the Range Integration Instrumentation System (RIIS). The RIIS provides near-real time data acquisition and storage for the ESSs and for the Melrose ECR. Data received includes but is not limited to, aircraft position, emitted threats, Electronic Counter-Measures (ECM), and weapon delivery.

B&G Ranges are at Avon Park, FL, Holloman AFB ranges, NM, and Mountain Home AFB ranges. ECRs are at Dare County Range, NC, Melrose Range, NM, and Poinsett Range, SC. ESSs are at Lone Star Sites, TX, Granite Peak, UT and Belle Fourche, WY. The RIIS is located at Nellis AFB, NV.

Contract award is expected in January 2007 with transition to begin in February.

P5CTS Update

In mid-October the 56 Fighter Wing at Luke AFB began receiving their P5CTS pods and displays. Cubic had spent many weeks, prior to the arrival of the pods, installing the numerous Range Remote Units (RRUs) to provide live tracking throughout the Barry M. Goldwater Ranges. BSE was requested to assist by providing oversight of the delivery, acceptance, testing of the system and to the accompanying training for both the aircrews and maintenance personnel.

We were instrumental in identifying several issues that need to be resolved as Air Combat Command begins delivery at Eglin AFB, Florida, Langley AFB, Virginia and Seymour Johnson AFB, North Carolina. Problems included jittering in tracking when in the live monitor mode and data is transferred from aircraft to aircraft then to the RRU (believed to be a minor software issue) as well as a Technical Order issue that requires the replacement of the entire battery compartment (\$1,000) when the \$22 battery wears out. We are anticipating installations for our BSE sites to begin in January 2007 with stand-up of one site each month through March. With these installations we will be adding additional personnel at each P5CTS site.

P5CTS/P4RC Employee of the Quarter

**Howard
Jefferson**

**Pod Technician
Langley AFB, VA**



Howard has done a great job this 4th quarter to earn the Employee of the Quarter Award. Here are just a few of his accomplishments. For a complete listing please visit the BSE web site at www.bseak.com.

- Supported over 800 Sorties with a 100% mission success rating
- Coordinated efforts to resolve a revised base policy that limited vehicle access to flight line. His quick thinking allowed for continued support of the 1st Fighter Wing
- Continues work on his Electronics Degree maintaining a 3.0 GPA
- Provides leadership to the Hampton Parks and Recreation Cheer & Dance activity group each week

FYI



Important Reminders

**Constance St. John,
Human Resources**

- We're getting close to the end of the year, please remember to file a new W4 by the end of December and return to payroll.
- Notify Payroll or Human Resources of any address changes before W2's go out in the mail in January.
- When an injury is sustained at work, it must be reported immediately to the site supervisor, who in turn will notify the HR Department of the incident. The Incident Report (GF404) must be completed by the employee and any witnesses, even if the injured employee does not think the incident is worthy of reporting. Incident Reports Forms (GF404) can be found on our website under General Forms.

Shared Services Update

Since the August newsletter, the Shared Services Division has made a few changes. There's been some confusion when callers phone in and hopefully this information will eliminate any further problems as to who you need to speak to or where to send faxes to. The Shared Services Division is now located on the 2nd floor in Suite 209, their fax number is 907-278-2350.

Lenora Krukoff, Accounts Payable:
Any questions regarding, per diem, employee reimbursements, airline tickets, payable invoices, and business cards.

Kirk Towner, Controller: Supervises all accounting functions of Shared Services, payroll, accounts payable and accounts receivable.

Payroll Department: Is in the process of hiring a Payroll Accountant. Any payroll questions regarding your paycheck or hours can be referred to Kirk Towner, his email is kirk.towner@tdxnet.com or extension 1537.

In addition to these changes, the following individuals are on the 4th floor in Suite 402. If you need to fax anything to any of them listed below, our fax number is 907-278-2316.

William Arterburn, Chief Executive Officer
Elary Gromoff, Jr., Executive Vice President
Mike Cerkovnik, Chief Financial Officer
Mike Taylor, Contracts Manager
Barbara Mandregan, Contract Specialist
Michelle Haskin, Treasury Management
Constance St. John, Human Resources



St. Paul Island Report

Bill Arterburn, Chief Executive Officer

The BSE operations on St. Paul Island have had a busy past two years, currently in the final and cold fingered throes of completing over \$7.5 million in contracted work. Here are some of the things we have been doing:

Construction: Last year (2005) we performed a rehabilitation of the old 1950's National Weather Service Station on the island. This \$1.7M project included a complete rehabilitation of the property that included asbestos removals, wiring and plumbing upgrades, interior and exterior refit, a few building additions, an emergency power installation, and road and underground utilities modernizations. The construction process

became challenging due to a collapse of regular ocean freight service to the community. During this disruption of regular freight service, BSE needed to bring a dormant camp and kitchen facility on line to accommodate specialty trades shipping to complete the project. BSE also completed many small projects including some road construction for the



NWS Station & Residence construction on St. Paul Island

local tribal government, miscellaneous maintenance activities for the National Oceanic & Atmospheric Administration (NOAA). We also got some of the utilities, building sites and groundwork completed on the four new homes that were built to support federal workers coming to the island to man the National Weather Service Station. This was the first part of a \$3.8M project to install new housing facilities and appurtenant utilities for National Weather Service (NWS).

2006 construction activities started in March, with shipment of materials, and framing of the NWS homes. Those activities continued through the summer, and we recently completed final inspection on that project with a very satisfied customer. During the course of

the past summer we also completed reroofing projects on some older NOAA buildings in the community, and continued rehabilitation of the old camp facilities on St. Paul, which now serves as the local airport terminal. BSE removed some buried fuel tanks for the Federal Aviation Administration (FAA) from a radar station, and addressed a fuel spill from a Coast Guard C-130 plane crash under subcontract to Jacobs Engineering.



USCG C-130 after crash landing on St. Paul Island

Timing is everything on St. Paul Island. We like to wrap up construction activities by late September if we can. So we were dismayed when negotiations on a \$1.2M project to remove lead based paint and asbestos, and provide a limited restoration to some historic facilities on the island got bogged down in complicated funding and special specification issues with NOAA. The net result was a project start in late September. BSE is now currently completing the project in snow, hail and blowing wind, which commonly start up by late September on the island. Sometimes the best laid plans...

Overall, the past two years have been good. We employed 42 persons during the past two summers, and were able to provide good local jobs for about 22 shareholders, who are now seasoned construction hands, and who will hopefully have other opportunities for future work with the company.

Warm Indoor Activities:

BSE is a founding member of the Intertribal Information Technology Corporation (IITC), which is focused on working in Indian communities and reservations. We assisted in securing a contract from the US Marine Corps, available to all services, which has as its focus converting printed technical manuals, engineering drawings, parts diagrams and documents into electronically

accessible media. 10 tribes participate in the IITC Company and each gets respective task orders or deliverables. BSE is now in its third year of participation and BSE's St. Paul Program Manager, Julie Shane, has literally willed this project into a successful operation.

First, she had to rehabilitate an old recreation room in the airport camp facility into a modern office setting. Then, with the assistance of TDXNet, our sister company, she stood up satellite internet and network connections (no small feat on an island 840 miles from Anchorage), brought the required equipment to the island and set it up. Julie rigorously screened and recruited her teams

from local Aleuts and island residents, and proceeded to get them trained from scratch. Today we have a functioning IT lab fully capable of digitization almost any text or graphic, and rendering them electronically. We now have a trained staff of 10 Aleut technicians, many of them fully CAD qualified, and we are looking to add more as work is increased. Finding opportunities like this in as remote and rural location as St. Paul is extremely rare, and a testament to both Julie's management and Aleut determination to survive and prosper under difficult conditions.



BSE St. Paul Island IITC Team

Because of limited construction opportunities in the coming year, we will probably turn our construction emphasis to other locations in Alaska for the near future, but are always watching for new local opportunities. In the meantime, we have some hopes that the work of the IT laboratory can be expanded through commercial or other government work. Hats off to Julie Shane, Program Manager, Merle Beeter, Construction Superintendent, and the hardworking construction and IT crews of St. Paul Island. BSE is proud of your accomplishments over the past two years!

"AANG" (Aleut for Welcome)

BSE would like to take this opportunity to welcome all of its new employees that have joined our team these last few months. We appreciate you and your services as we grow as a world class service company