



Quarterly Newsletter

May 2007

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

Inside This Issue:

- ISO Process
- Security Awareness
- Lockheed Team Wins
- P5CTS Update
- Fiber & Cabling
- UXO - Yodaville
- Hawaii - New Office
- St. Paul Island Report
- Hawaii Hauling Div.

Corporate Office

4300 B Street
Suite 402
Anchorage, AK 99503

Phone: (907) 278-2311
Fax: (907) 278-2316

www.bseak.com



From the Desk of Bill Arterburn Chief Executive Officer

Spring is in the air, and even in Alaska, the snow is nearly gone. The ducks, geese and swans are flying over again in huge numbers en route to their northern feeding grounds. Leaves are starting to bud out on the trees. Spring is, everywhere in nature at least, a time of renewal. In keeping with the season, it makes sense to me that we, as employees of BSE, might refresh and remind ourselves of a few things as well. Let's remember that no matter how large the business grows, the bottom line basically gets down to the production of something of value by individuals, which the company then trades for value, with its customers.

Value is something we all understand pretty well, because we are constantly reminded about, the value of a gallon of gasoline, or a loaf of bread. But how many of us view our daily job labors as the production of something of value? When the 33rd Fighter Wing at Eglin had a problem with incompatible communications systems in the P5 rollout, BSE's Walter Smith and the BSE crew at Eglin scrambled and cobbled together a solution that allowed the operations to go forward. That was a real production of value, one which, appropriately enough, the customer recognized and penned its appreciation in a letter. (If you would like to read it please visit the Bulletin Board section of the web-site). Perhaps your efforts won't be recognized or even appreciated by the customer as Walter's efforts were, but everyone's daily routine does involve the production of value, and if we think and constantly remind ourselves in terms of producing value, even the most menial of tasks can become an individual source of pride and accomplishment, and a become a driver for company success at the same time.

By the same token, not addressing matters and responsibilities immediately, not working tasks through to completion, delays, or avoiding responsibility represent negative or lost value. Think about your work in terms of producing value, and you will find it easier to address tough challenges, and even boring routines.

Applying the same concept to your efforts at home and your life outside of the workplace will yield similar results in those facets of your existence.

A lot of talk at the April BSE Managers' meeting centered around getting processes in place that will assist us in managing the ever increasing volume and diversity of contracts and tasks in the company. It's sure easy to fall into a habit of managing by crisis when we are surrounded by them. Sometimes that is how it feels, but we also know that executing and managing contracts involves doing the same type of tasks over and over again. I have nothing but admiration for the efforts of those in our Training Services Division for going the extra mile and developing an ISO certification. It's worth noting that the process model which drives the ISO standard is centered on VALUE-adding activity, and continuous efforts to evaluate such activity for refinement and improvement. (See JJ Storch article and diagram in Feb 2007 newsletter). The ISO standard is essentially a corporate process that seeks to monitor and improve on a system wide basis, that same type of value producing activity that I speak of on an individual basis.

There will be lots of activity for BSE this spring, with a new office building coming out of the ground in Hawaii, while valiant efforts are made to keep up with contracts and work amid much disruption. The Construction Division has been actively bidding and proposing projects in the Anchorage Alaska area, and the Range Services folks have been heroically juggling manpower, equipment and time between multiple sites. Then there is the rollout of the new Fiber & Cabling Division which shows considerable promise as an income producing activity. Finally there is the finger crossing and tension associated with the much anticipated and much delayed announcement of the winner of the PTR contract, which BSE is still in the running for.

With any luck you will enjoy the newsletter, and hopefully also your Spring days will be filled with lots of sunshine, fresh flowers, love and laughter. Thank you again for making BSE the dynamic value producer that it has become.

Bill Arterburn, CEO



I ...SO...WHAT?

James Storch, Quality Manager

ISO isn't an acronym.

The common belief is "ISO" represents the initials for International

Organization for Standardization, but this isn't correct. Besides being out of order the initials become less plausible when you consider the multinational (and therefore multi-lingual) composition of the 158 members.

The organizational founders decided to use a language-independent word "ISO" as the universal short form of its name. The

origin of ISO is from the Greek word ἴσος (isos), meaning "equal;" This reflects the aims of the organization - to equalize or standardize across cultures.

The major reason BSE leadership implemented an ISO 9000 Quality Management System is to maintain effective operations while we continue to grow.

Our ISO 9000 approach is intended make sure we run in an orderly manner that will assure continued success. Our goal is to run effectively and continue to satisfy

our customers by delivering our services consistently and reliably.

We can greatly improve our operations by documenting what we need to do, and then by doing what we said we would. The thing we need to avoid is becoming too rigid, over documenting, or trying to force-fit methods or standards that don't completely fit our business. It needs to be done, and it doesn't have to be painful.

Since you all had time to think about your process, it's now time to consider ISO documentation of your processes. This helps ensure consistency and accountability, and provides a framework performing and recording our work.



Adverse Information - Do you know what to do with it? BSE's Security Program

Elary Gromoff, Executive Vice President/Facility Security Officer

Rodney Rush, Security/JPAS Manager



What is Adverse Information?

Adverse information is any information which could adversely affect your ability or this company's ability to protect classified material/information entrusted to us by our customer. Adverse Information can include the following:

On Wednesday, April 18, 2007 the Department of Defense's Defense Security Service (DSS) conducted a security review on BSE's Security office. I am happy to report that we received the highest possible rating; a SUPERIOR.

However, there was one troubling thought that requires our attention. Some of you were interviewed over the phone as part of our inspection to see how well our training program was working. The main topic asked by the DSS agent was "What is Adverse Information and to whom do you report it to? Overall you did pretty good...after being coaxed by the agent. Adverse Information should be second nature to you and you should not have to be coaxed. This means that the Adverse Information Policy Letter posted on our web-site is not enough training or information. Therefore, it will be added to your annual refresher, newsletter, and spot training.

All BSE employees with a security clearance have been entrusted to protect our Nation's classified material in regards to our respective contracts. Our obligation is simple; report all incidents, situations, or events, which might have a bearing on this company's ability to protect classified material.

- Financial Problems, which includes bankruptcy, garnishment of wages, a lien placed upon your property for failing to pay a creditor, or eviction from residence for failure to pay rent.
- Arrests (for any reason)
- Other involvement with the legal system. Especially if you are the target of the legal action, such if you are sued for any reason, or if there is a possibility, you might be required to discuss your job or organization under oath.
- Psychological or Substance Abuse Counseling. Counseling is private; it must be reported if you were advised to seek it.
- Outside Activities such as other employment or volunteer activity, which could cause a real or apparent conflict with one's responsibility to protect classified information.
- Media Contacts which inquire about your job or organization.
- Espionage is the use of spies by a foreign government to learn the military secrets of another nation. However, it is noted that over 79 percent of spy cases in the last 50 years came from Americans who contacted a foreign entity or were recruited by a family member. We're not asking that you to spy on your fellow workers, just be aware that only 21 percent of espionage cases are foreign initiated.
- Sabotage is the willful destruction or damage of property in an effort to thwart our Nation's Security objectives. Use care; if an individual(s) were willing to be destructive, they would probably not have a problem in causing you or your co-workers harm.
- Subversive Activities. This is an activity whereas an individual(s) or organization has attempted to collect your help or aid in any act intended to overthrow, destroy, or alter the constitutional form of government of the United States, or of the State of Washington, or of any political subdivision of either of them, by revolution, force, or violence.

Contact Information

Elary Gromoff - (907)278-2311 ext 2141

email - egromoff@bseak.com

Rodney Rush - (757) 223-1446

email - rrush@bseak.com

You report Adverse Information to Mr. Elary Gromoff, Facility Security Officer and/or Mr. Rodney Rush, Security Manager. This is your first stop to report all security incidents, which might affect our ability to protect classified material. However, you can also report these occurrences to your Program Manager, Site Manager, CEO, and/or host security manager.



Lockheed Martin / BSE Team Wins

BT Smith, Training Services Director

On April 8th, it was announced that BSE's team headed by Lockheed Martin [NYSE: LMT] was selected by the U.S. Naval Facilities Engineering Command to compete for future task orders under the Anti-Terrorism Force Protection (ATFP) Ashore program contract vehicle. Three other companies were also selected to compete for tasks throughout the five-year contract period.

The ATFP is a performance-based, indefinite-delivery-indefinite-quantity (IDIQ) contract that covers one base year and four option years. The four companies selected will compete for tasks which, all totaled, have a contract ceiling of up to \$500 million over the five-year time period.

Services provided under this vehicle include the procurement, installation, and sustainment of Anti-Terrorism Force Protection Ashore Program equipment at naval installations worldwide.

"We are extremely proud that NAVFAC has selected Lockheed Martin to provide critical support for this effort. Through use of this new ATFP contract vehicle, our

team will be able to support the commands' mission in many new ways and at the same time significantly reduce the overall cost to the Government," said Jim Wilhelmi, program manager for the NAVFAC ATFP program.

Lockheed Martin's teammates include Bering Sea Eccotech, Kellogg, Brown & Root (KBR), ECSI International, Select Armor, Orion Management, LJT, Defense Support Services, Stevens Institute of Technology, United Parcel Service and the Historical Black College Project Office.

Headquartered in Bethesda, Md., Lockheed Martin employs about 140,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. The corporation reported 2006 sales of \$39.6 billion.

During the one-on-one debriefings the customer noted no deficiencies in the team's technical proposal and stated the one minor weakness was that LMCO had no prior contract experience listed for Bering Sea Eccotech or Select Armor as listed in the Corporate resume section of the proposal.

The following were the evaluation criteria and final rankings of all teams:

Volume / TAB	Factor	Title
I	1	Past Performance
I	2	Technical Approach
I	3	Management Approach
I	4	Socioeconomic Programs
II	5	Price

Offeror	Overall Ranking	Overall Technical Rating	Overall Evaluated Price
Lockheed Martin	1	E	\$25,390,547
Raytheon	2	E	\$24,107,229
Honeywell TSI	3	HA	\$18,427,712
Northrop Grumman	4	HA	\$19,183,825
Offeror 5	5	HA	\$23,998,357
Offeror 6	6	HA	\$20,988,988
Offeror 7	7	E	\$33,926,990
Offeror 8	8	M	\$9,820,221

Ratings Key

E= Exceptional HA= Highly Acceptable M= Marginal

It is anticipated that three delivery orders will be competed beginning on 5 June with proposals due on 17 July and final award on 24 August 2007.

P5CTS Update

The P5CTS installation is continuing and this past quarter Seymour Johnson AFB, NC and Langley AFB, VA both successfully completed their conversions.

Additionally, to support the increase maintenance requirement Mr. Karl Ewers transferred from Cannon AFB, NM to Seymour Johnson AFB, NC and Mr. Neil Emiro, a previous Cannon employee (also previous Employee of the Quarter) rejoined the BSE team.

Ms. Jennifer Gose, prior Air Force Intelligence, and Mr. Roy Williams, prior Navy Electronics Technician, joined the BSE Team at Langley AFB, VA to support P5CTS. Welcome to all new employees. The next installation will be Mt. Home AFB, ID and will take place later this summer.

P5CTS/P4RC Employee of the Quarter



Joseph Willis
Computer Operator
Cannon AFB, NM

The 27th Fighter Wing at Cannon AFB in New Mexico was been very busy this past quarter and our Employee of the Quarter, Joseph Willis has been right there offering P4RC support to over 1800 sorties and directly supporting over 150 debriefs in three different squadrons. If this wasn't enough Mr. Willis was also involved in transferring two debriefing stations between squadrons during this same time frame.

Mr. Willis has taken on even more tasks as he has been instrumental in establishing Cannon's SPRAM account for asset tracking and as the shops COMSEC account custodian. Inspectors have praised him for having one of the best maintained accounts on base during a recent inspection in which he accomplished zero discrepancies for the third year in a row.

His outstanding work performance is only part of the story as he recently assisted his community with various debris removal efforts after severe weather produced 13 tornados in the area.

Congratulations Mr. Willis and Thank You for a job well done!



Fiber & Cabling Division Start Operations

Dean Hughes, Chief Operations Officer & Don Lee, Project Manager

In a relatively short period of time, BSE has moved forward into a promising new arena of economic development, keeping with BSE's overall goal to diversify its economic opportunities. Realizing a significant opportunity, BSE has researched the fiber optics business. Researched the installation/application processes, met with new fiber manufactures, observed fiber install operations, and acquired its initial start up equipment necessary for the projects. BSE will use a combination of personnel; those with prior electrical experience, and also train new installers for this new division. BSE will start with small projects and work its way up to larger projects once it has learned the nuances of the fiber optics installation business.



MicroDuct Fiber Optic ABF Cable Conduit

The Basics of Fiber

When we talk about fiber, we are not talking about Bran Cereal, Spaghetti, or Metamucil. Fiber or Fiber optics is a silica based glass thread about the width of a human hair. Fiber is the structure that guides light in a fiber optic system. The light waves are modulated and then transmitted to a receiver, the user. The modulated light carries the data, from point A to B and is received in different forms such as internet, phone, or TV services. There are many other uses for fiber optics.

New developments since fibers first applications in the 1970's have come a long way. The basic benefits of fiber optics are that it is less expensive, has a higher carrying capacity, uses less power, lighter weight, and more flexible than the previous copper cables. It is more cost effective to install since it does away with the older method of digging up roads and streets, a concrete or asphalt cutting saw is used to cut a small slit approximately 5/8" of an inch wide and between 4-14" deep to install the fiber, reducing installations costs significantly.



Slot cutting in roadbed for installation of MicroDuct

Why Fiber Optics?

Communities and business are trying to keep up with the pace of new technological advancements; Fiber Optics technology provides a comprehensive network infrastructure by providing vital services to community residents and industry all around the country, and the world, that of computer internet services, phone services and cable TV. These services are more and more bundled together by the use of fiber optics technology. Fiber optics technology offers hi-speed service, security, reliability, and flexibility to residential and governmental users alike.

Municipal (city or local government owned) Fiber to the home/business (FtTX) by some estimates is one of the fastest growing market segments in the US since 2003. Many new building projects are already using fiber optic components in their design, a trend certain to continue.

How Did It Start?

Fiber is a technological product that needed deployment contractors. It was a natural fit for BSE/BSEn. BSE saw this as an opportunity to expand in a business with a large growth potential and a bit of leverage. Because the new deployment methods don't use new technology, but also are not tools that one can rent, it reduces competition, and allows us to offer existing employees a new line of work when their regular one is slow. BSE has bought the required equipment, tools and has several employees trained as fiber optic technicians.

<http://www.axiss-bse.com>

BSE's Fiber Start up plans and partners:



BSE has signed an agreement with Lite-Access, a Canadian company with distribution rights for the 'MicroDuct' as a partner for the install process, we are one of only two certified installers for the US market. BSE has a second agreement with AXISS Technologies as a partner supplier of microfiber for work in the US. We have even developed a joint website with AXISS to support this partnership. BSE also has a non-exclusive agreement with International Network Consultants and will be doing some of our initial start up work with them.



Installation Of MicroDuct Conduit

On our first projects both BSE and BSEn will participate. The plan is to have BSEn manage the government projects using its 8(a) status, and BSE will handle the non-government or commercial install projects. BSE/BSEn hopes to bring in TDxNet for projects requiring their talents, after the cabling has been deployed.



Axiss-BSE Home Page

Fiber Projects currently in the works are a demonstration project for the city of Loma Linda, CA with the demonstration project installing fiber to 36 homes. There are additional options for city wide residential installs planned in a four phase process. We will also be involved in the install of fiber back bone to nearby Redlands CA, and a 4 mile long run to a Call Center. There are several other projects both private and government sector, that the Axiss-BSE marketing effort is targeting and there is every hope that this will be a large part of the future BSE.



UXO Services Completes Yodaville Project

Dan Skrobialowski, UXO Services Division Director

Brian Robinson, UXO Project Manager

The Yodaville project is now complete! In the November 2006 issue we announced the winning of the \$2.01M task at the US Marine Corps Yodaville target range, south of Yuma, AZ.

As a BSE/Parsons Joint Venture, this task of range revitalization at the Yodaville Urban Training Complex (UTC) included the clearance/ removal of munitions, scrap, range residue, and debris. It also included repair of damaged targets and removal of unusable targets, thus extending the usable life of the existing target complex.

The Yodaville UTC is a 75 acre air-to-ground target complex that was constructed in 1998 and consists of numerous targets

including simulated buildings and numerous civilian and military vehicles. After years of being utilized for air-to-ground gunnery and bombing practice, this complex was in dire need of revitalization.

After three months of "hard labor" we now announce the successful completion of this task. Building repair of what was initially thought to be less involved ended up requiring additional work, due to extensive internal melting damage from intense fires caused by ordnance igniting the linings of the Cluster Bomb Unit (CBU) containers.

Nearly 300 CBU container constructed cubes were replaced in the refurbishment of the 15 previously established buildings. Two new buildings were constructed and second levels were added to two additional buildings, utilizing 96 additional cubes for the new construction. In all the total count of



Damage from a MK-76 Bomb

new cubes soared to almost 400, double the amount expected.

Additionally, numerous ISO Containers were removed, roadways enhanced, light poles and their concrete foundations were removed in preparation for subsequent replacement, and electrical vaults required repair and support walls rebuilt due to damage from ordnance.

With munitions and range residue removed and targets reconstructed the Yodaville is identifiably an Urban Training Complex.



Before



After

BSE Breaks Ground on New Office for Hawaii Operations

Construction & Electrical Division

Merle Beeter & Rick Viveros

The Aloha State is a beautiful place to live and work and BSE has been blessed with both tireless and diligent employees, and some great customers. But the wheels of progress sometimes move at a vacation pace on Oahu, where the City Fathers have learned over the years that development needs to be regulated, rigorously, or it gets out of control. Considering the conditions under which substantial growth of the division has taken place, all of BSE will be relieved when we finally get permanent office facilities in place.

Here is a brief timeline to recap the company's time in Hawaii:

- » **1999.** Arrived in Hawaii at Marisco Shipyard to support marine development project of parent corporation. BSE rented office space at that facility where much of our work originated.
- » **2003.** Development venture failed and BSE, left without a home, purchased a lot in Campbell Industrial Park. Temporary office space was rented from Hawaii Modular.
- » **2005.** Paving, fencing and security systems installed at new lot. Pacific Atelier engaged for design and engineering. Begin Permit process.
- » **2006.** Bids submitted for construction were substantially higher than budget.
- » **Jan, 2007.** Approval by Board of directors for construction using BSE force account construction.
- » **March, 2007.** Underground and site work begins.
- » **September 2007.** Expected completion date.

In addition to BSE construction crew, the following local entities are engaged to assist construction:

- * Construction Management: Contractors Hawaii, Inc.
- * Subcontractors: Island Ready-Mix; Ono Construction; South Pacific Steel; Air Conditioning Services; Brown's Plumbing and Solar.

It will be great to finally send those modular offices back.





St. Paul Island Report

Bill Arterburn, Chief Executive Officer

BSE was an unsuccessful second it its bid to construct the new USCG Loran Station on St. Paul Island, so construction activity on the island will be substantially reduced this summer, with a very limited agenda.

The island continues to have a very problematic economic future, with little other than summer halibut fishing and reduced winter crab fishing to rely upon. In April of this year, BSE sold its interest in the digitizing laboratory and Intertribal Information Technology Company to sister company TDXNet, which will continue contract operations, and use the activity as a springboard for future growth. While BSE is

pleased that its spawned business activity will continue in the TDX family, we are also losing Julie Shane, our Island Program Manager of the past seven years. Julie will continue in the Anchorage Office of TDXNet as Business Manager. We will miss her, of course, as Julie was the glue in the operations of BSE on St. Paul, but we wish her well and expect to see plenty of her as TDXNet grows its operations.



Hawaii Hauling Division

Stephanie Nojima, Account Manager

Aloha from Hawaii!

I will update everyone on our Hauling Division. BSE started with one 70 barrel vac truck and a vision to haul fuel for the major electric supplier in Honolulu. We have been successful in obtaining the contract to haul fuel oil between power generation sites for Hawaiian Electric Company. Since then the name of BSE has grown and become well known for dependability, safety, and getting the job done. Our trucks and trailers are common sights on the busy highways of Oahu.

Our exceptional reputation has landed us another lucrative contract with the Aztec Group. This company formed in 1995 and is from the Southern California area. They have been transporting contaminated diesel in Hawaii from Pearl Harbor Shipyard to Chevron Refinery. Their subcontractor was our competitor and has repeatedly run into poor performance. That's where BSE comes in. Through many recommendations and positive word of mouth referrals, The Aztec Group heard of BSE. After two meetings with Tom Lytle, Vice President of The Aztec Group, he felt confident we were the right company for the job. We were successful in winning a two week trial to prove our performance.

We started the transportation of contaminated diesel from April 16, 2007 with one driver and to date we have received compliments from not only the FISC manager from Pearl Harbor Shipyard, but many accolades from Tom Lytle. He has decided to give us the entire contract once we can add another 130 Bbl truck which will be June 2007.



Al Kaaihue

The original task was to test our capabilities and has continually grown to encompass half of the contract. Due to Aztec's complete satisfaction with our efforts, as of June 2007 we will be accomplishing 100% of their

requirements. This type of transportation currently grosses at approximately \$150,000 per year and will increase to \$300,000 per year once we gain our second truck for transporting.

The success of our Hauling Division is surely due to a dedicated group of people. Under the supervision of Al Kaaihue, our operators, and particularly Operator Joe Soriano, have received positive remarks from the clients at Pearl Harbor Shipyard, Chevron Refinery and The Aztec Group. With foundational contracts like the HECO fuel haul and the Aztec Group, and with absolute safe operations our hallmark, our prospects are good for further growth of the division through reference and referrals.



Operator Joe Soriano with a 130 Bbl Tanker Trailer

Thanks to the entire BSE Team

This newsletter is a product of the entire BSE team. It would not be possible without the extra work of those individuals to provide the input each quarter. Above and beyond their everyday fantastic work ethic, each division contributes to make this informative newsletter available to employees, customers, and future BSE clients. Why do we do this? With our divisions and contracts spread throughout the country we feel it is important to inform everyone of the results of our diversification efforts. Someone in Hawaii may not be aware of the hard work going on in Arizona or even Florida. This newsletter provides that little bit of insight to everyone on the BSE team. It also provides our customers with some feedback on how much we appreciate their business. If you are a potential customer we hope that you see how much BSE comes together to support each other and how effectively we can come up with a solution to your next project. 2007 has started off strong for BSE and there is still lots more to accomplish before the year is out. We look forward to the continued teamwork and support from each of our divisions.

“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